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What's Left in Latin America?

Regime Change in New Times

James Petras and Henry Veltmeyer

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Introduction

This book concerns recent and current political developments in Latin America generally, and in Argentina, Bolivia, Cuba and Venezuela more particularly. These developments largely concern the meaning attached to a series of regimes that have recently emerged on the crest of a wave of anti-neoliberalism. Many of these interpretative accounts from the left focus on Venezuela but also on developments in Argentina. Brazil, Bolivia, Ecuador and of course Cuba which is described by Frederic Clairmont in the following terms: 'The economic and spiritual revolutions in Cuba are nothing short of mind-boggling that bear no comparison with any Latin American countries'.

To hear tell or read these at times almost elegiac accounts and interpretations of this surge of left-tilting or centre-left regimes, Latin America is a hotbed of radical change, in the process of putting an end to the plague of neoliberalism and well on the way to bringing about another world, a more equitable form of development inspired by socialist ideals and values. Would it were so. The authors of this book are very sympathetic to the progressive meaning attached by so many on the left to recent political developments in the region, or would be if this assessment were at all realistic and accurate. Unfortunately it is not.

On the basis of recurrent visits and close study over the past three years the authors have been led to the conclusion that the enthusiastic and at times wildly optimistic accounts of recent political developments in Latin America do not accord with what seems to be actually happening. Nor are these new regimes at all what they are portrayed to be. For one thing, this red or pink tide of centre-left regimes is associated, and not coincidentally, with the retreat of the social movements on the left and a resurgence of class power on the right. For another, we found few indications of substantive change either in macroeconomic, i.e. neoliberal, policies or in their social dynamics. Thirdly, there were few indications that the social classes in the popular sector of society in any way benefited from the spurt of economic growth in the region and the reported primary commodities boom.

This common interpretation and accounts of the progressive shift in Latin American regime politics and policies include developments in Argentina, Brazil and Chile as well as Ecuador, Nicaragua, Peru, Uruguay and Paraguay, but the central focus, and the hopes and expectations regarding a turn to the left, has been on Venezuela, Bolivia and Cuba, a triad of socialist or socialist-oriented regimes painted as the nemesis of US imperialism and neoliberal globalization, the wave of an imminent and much better future.

So what is the reality of the recent and current political developments in the region? This is the aim of this book – to assess the state of recent and current

developments in Latin America in the new times of a global primary commodities boom and regime change; to assess, and critique, the prevailing view of these developments on the left. What has essentially transpired is the emergence of new and somewhat different political regimes in the context of a wave of anti-neoliberalism, a widespread concern for different policies and an alternative form of development, the relative decline of US power and the conjunctural advent of a primary commodities boom in the world economy. In this new and changing context we argue that what is needed are not dreams and political romance, idealistic portrayals of political developments and the leftist or centre-of-left regimes that have come to power, but a more scientific empirical and grounded analysis of these developments and a more realistic assessment of their meaning.

A critical assessment of the left today, particularly in the Latin America context, could and perhaps should begin and end with an analysis of neoliberalism, the dominant form of capitalism in the current and latest phase of world development. Over the past two decades neoliberalism has come to dominate both public and academic discourse and the modalities of the state and politics in one country after another. The ascendancy of neoliberalism occurred through a series of interconnected transformations that began with the economic turmoil of the 1970s, the rise of neoconservative government administrations and neoliberal policy regimes in the 1980s, and the extension and deepening – and reform – of the neoliberal model in the 1990s.

As for the apparent decline of neoliberalism in the late 1990s it occurred in the context of a growing social divide, widespread disenchantment and organized resistance in the popular sector of many class divided societies in the global south. Neoliberalism in this context came to mark an historic shift in the balance of power not just in Latin America but also all over the world, a turning point in the social forms of economic and political power and the patterns of everyday life in capitalist society.

But the road to change has not been in just one direction and history is not at an end. In the current context of a primary commodities boom, regime change, the decline of anti-systemic social movements and an apparent Post-Washington Consensus between political forces on the centre and the left, politics has taken another turn and neoliberalism has survived albeit in a more muted form.

What this means for the left is a key issue in this book. All too often the left contents itself with the illusions of progress, reluctant to criticize regimes or political projects that are at all or decidedly 'progressive' in the fear that criticism and a critical vantage point might inhibit change in a leftward direction or give solace to the right. The authors of this book believe that constructive criticism – a critique of political regimes that pretend or are purported to be progressive or leftist – is precisely what is needed.

Chapter 1
Paradoxes of Latin American Development

Latin American political development presents us with an array of paradoxes that befuddle the predictions, prescriptions and commentaries of writers and academics on both the right and the left. Abrupt changes and shifts in the political correlation of forces are matched by striking structural continuities. Political advances alternate with sharp reversals as popular movements compete for power with resurgent mass mobilizations managed by elements of the ruling or dominant class.

Breakdowns in the financial and productive systems, the flight of capital and the demise of ruling class regimes are followed by strong capitalist-led economic recovery, the resurgence of business-led movements and the restoration of capitalist hegemony over the petit bourgeoisie. Horizontal class anchored movements and trade unions, which overcome ethnic, regional and local divisions to challenge the capitalist state are displaced by vertical divisions in which mass-based regional and sectoral capitalist organizations compete over profits.

Hegemonic leadership over vast sectors of the lower middle class, urban and rural poor oscillates between the downwardly mobile proletariat, organized public employees, peasantry, and in some cases, the urban unemployed, and organized agro-export elites, financial and mineral-based multinationals led by big business backed radical right-wing middle class demagogues. Economic recovery and sustained and substantial growth rates strengthen the political and social power of the ruling class which contributes to extending and deepening inequalities which exceed those preceding the economic crisis. The political pendulum shifts from radical left influence 'in the streets', to centre-left institutional power, to a resurgence of right-wing street and institutional power.

Mass social movements, which occupy and organize failing factories and unproductive landed estates, are replaced by the restoration of the previous factory bosses and the forcible displacement of peasants and the vast expansion of agricultural export commodities.

As US hegemony in Latin America loses ground, Latin America's particular brand of neoliberalism expands and goes global. The onset of the US recession and financial crisis has little or no effect in slowing Latin America's export boom, demonstrating the growing decoupling of the economies in the region from the US economy, rendering obsolete the long-standing cliché 'When the US sneezes, Latin America catches a cold (or worse, develops pneumonia)'.

The Primarization of Export-led Economic Growth

Against a backdrop of two decades and a half of neoliberal reform, instability and exceedingly sluggish growth – growth that barely averaged 0.5 percent a year from 1981 to 2002 – the regional economy, according to CEPAL (2007), has been putting in its best performance in 40 years. Indeed, some countries, such as Argentina, Peru and Venezuela, have been growing at rates around 8-9 percent since 2003 (Table 1.1). By all accounts, the economic recovery and recent five-year growth spurt can be attributed almost entirely to a fundamental change in the world economy associated with the ascension of China.

Table 1.1 Growth rates of GDP (%), selected countries in Latin America, 1995-2007

	1995	2000	2003	2004	2005	2006	2007
Argentina	-2.1	4.8	8.8	9.0	9.2	8.5	8.6
Bolivia	4.9	2.5	2.7	4.2	4.0	4.6	3.8
Brazil	4.2	4.3	1.1	5.7	2.9	3.7	5.3
Chile	10.6	4.5	3.9	6.0	5.7	4.0	5.3
Colombia	5.2	2.9	4.6	4.7	5.7	6.8	7.0
Cuba	–	3.8	5.4	11.8	12.5	7.0	–
Ecuador	1.8	2.8	3.6	8.0	6.0	3.9	2.7
Mexico	-6.2	6.6	1.4	4.2	2.8	4.8	3.3
Peru	8.6	3.0	4.0	5.1	6.7	7.6	8.2
Venezuela	4.0	3.7	-7.8	18.3	10.3	10.3	8.5
LA	**0.6**	**3.9**	**2.1**	**6.2**	**4.7**	**5.5**	**5.6**

Source: CEPAL (2007: 85).

There is a strong evidence that the margin of difference for South America's commodities exports is a function of increased demand from China and India, and, to a much lesser degree, of other rapidly growing nations in Asia (Blázquez-Lidoy, Rodríquez and Santiso, 2006; Gottschalk and Prates, 2006; Lederman, Olarreaga and Perry, 2007). Blázguez-Lidoy and his associates, for example, emphasize the fact that the average annual rate of growth of China's imports in the 1990s was 16 percent per year. For some soft commodities, such as soybeans that were thought to have peaked in price around 2004, prices in 2007 once again soared, profiting directly the major *sojeros* of Argentina, Bolivia, Brazil and Paraguay.

The recent and growing interest in biofuels has led to rising prices for sugar cane and corn, generating huge gains for corporate producers while pushing the world's poor ever closer to hunger and starvation. Meanwhile, following broad worldwide trends wheat futures rose from $2.48 per bu. in late 1999 to $7.67 per bu.

in late August 2007, directly benefiting the conglomerates that dominate grain production in countries such as Argentina as well as world trade. In mid 2007 the Commodity Research Bureau's indices for raw materials and metals indicated that price increases for these commodities were very strong, consistent with the late 2002-2006 trend, if not greater (Commodity Research Bureau 2007). And commodity markets in the new global context have been booming, with prices reaching record levels in 2008, particularly for the commodities of oil, nickel, tin, corn and wheat.

The economic and political outcomes of these developments in the global economy were momentous. The aggregate economic outcome of these developments for primary goods exporting countries in South America is reflected in the growth rate statistics given in Table 1.1. The connection between this historically abnormal pattern of sustained growth and the 'primarization' of exports is evidenced by the positively strong correlation between the rate of economic growth and the composition of exports: the greater the weight of primary commodities in exports the higher the rate of growth. Thus Argentina and Peru with around 70 to 85 percent of their exports in primary commodity form have posted growth rates of 8-9 percent sustained for five years to date, while Mexico, with an entirely different export structure dominated by manufactured goods, has not participated in the pattern of high economic growth. Most of the countries in South America, where the new pattern of sustained economic growth is concentrated, have a primary good export structure (over 50 percent of exports in primary commodity form); the most diversified export structure is found in Brazil, where primary commodities in recent years account for 47-49 percent of exports (as opposed to 68-94 percent for the other countries in the region). No country in the sub-region has an export structure similar to Mexico's with a predominance of manufactured goods. As for Bolivia and Ecuador, which, despite a primary commodities export structure, have not sustained particularly high or sustained rates of economic growth in the new conditions, there are undoubtedly political factors at play (which, in the case of Bolivia, will be discussed below). Even Cuba, with 73.3 percent of their exports still in primary commodity form in 2005 (down from 90.6 percent in 2000), has participated in and benefited from the primary commodities export boom.

Soaring world prices of oil, soybeans, copper and other commodities, alongside China's emergence as a major buyer of the region's goods, resulted in a regional export bonanza – a primary commodities export boom that has translated into major revenue gains by both the public and private sectors of the regional economy.

For the private sector these growth rates meant a massive increase of profits on sales for the agro-exporting oligarchic elites and conglomerates that dominate international trade. And for the governments it has meant windfall resource rents and additional fiscal resources, as well as a positive balance of payments on the current, trade and capital accounts.

Table 1.2 Balance of payments on the capital account, selected countries in Latin America 1995-2006 ($ billions)

	1995	2000	2003	2004	2005	2006
Argentina	-5.1	-8.9	-8.1	3.2	5.7	8.1
Bolivia	-0.3	-0.4	-0.8	0.3	0.6	1.3
Brazil	-18.1	-24.2	4.2	11.7	14.0	13.6
Chile	-1.4	-0.9	-0.8	2.1	1.3	5.3
Mexico	-16.6	-18.7	-8.8	-6.6	-4.7	-2.0
Venezuela	2.0	11.9	11.8	15.9	25.5	27.2
LA	**62.8**	**100.0**	**107.7**	**118.9**	**128.6**	**137.5**

Source: CEPAL (2007: 147, 151, 154, 158-60, 163, 173, 185).

Table 1.2 provides some data on this development for selected countries in South America that exemplify what seems to be a distinct trend. Not since the 1970s has Latin America as an entity exhibited such a consistent and persistent upward swing in the economy. In fact, what has characterized economic development in the region under two decades and a half of neoliberal reform is volatile and sluggish growth and a propensity towards crisis, with at least eight years of negative growth (Rodriguez, 2001).

The Class Dynamics of a Right-wing Resurgence

A key factor driving the resurgence of the right, the weakening of the self-styled 'centre-left' regimes, and the isolation and decline of the radical social movements in the first decade of the new millennium, is the 'primarization' of export-led economic growth. The primary economic sector of agriculture and mining is dominated by big national and foreign agro-mineral corporations that also lead 'peak' business and financial institutions and exercise hegemony over local and regional governments and their employees. Favourable world prices and the opening of new dynamic overseas markets as well as large inflows of foreign investments into the primary sectors have vastly increased the role of agro-mineral elites in the economy and increased their demands for greater influence over national economic policy. The growing importance of agro-mineral sectors of the economy and 'satellite' industries (finance, commerce, farm machines, infrastructure and construction) has shifted the axes of political power from the centre-left alliances of the urban middle class-working class and rural/urban poor to agro-mineral power-bloc embracing urban small business, professional organizations, rural middle and even small farmers, disaffected urban consumers and fixed salaried employees suffering the ravages of high inflation.

Apart from the declining influence of the IMF and World Bank the right-wing and primary-sector elites are the foremost exponents of 'free market' policies in the region, as their basic strategic goal is unrestrained access to overseas markets and importation of capital and consumer goods at the lowest competitive prices. The agro-mineral elites and their collaborators among the financial, commercial sectors generally demand the end of government regulation, the lowering or elimination of export tariffs, an end of revenue sharing with the national government and the reinvestment of trade surplus in infrastructure projects facilitating exports and earnings.

The shift in power from the radical-left to the centre-left and to the right follows closely the fortunes of capital. The radical-left dominated the street and exercised a virtual veto on economic policy and brought about or supported 'regime change' at the height of the economic and political crises and breakdown of neoliberalism at the turn of the 21st century. The centre-left emerged from the stalemate between the social movements and the ruling class during the crisis in Ecuador, Argentina and elsewhere. The radical left was able to block capital rule but unable or unwilling to replace it and the ruling class occupied the strategic positions in the economy but was unable to consolidate its rule – to establish a good governance regime.

The regimes formed in the aftermath of crisis, riding a wave of antineoliberal sentiment and a primary commodities boom, are able to survive only if and able to adapt to the demands of agro-mineral elites. The pursuit by these regimes of policy adjustments to the Post-Washington Consensus and the maintenance of structural continuities with the previous neoliberal regimes ironically led to a resurgence on the right and perhaps the creation of its own 'grave-diggers'. Secure in their support from the privatized strategic financial, agro-mineral and industrial sectors, the centre-left implemented a series of fiscal, monetary and labour policies that forced the re-launching of capitalist growth.

Favourable world market conditions inclined the centre-left regimes towards a strategy of primary sector growth, notwithstanding the fact that their electoral base was opposed to the leading elites in the primary sector. The centre-left operated with a static view of the post-crisis balance of power between the mobilized poor and resurgent bourgeoisie: They envisioned a 'productive alliance' where they could harness the wealth and revenues generated by an insertion of the primary sector into the world market and extend social welfare to the poor to pacify their mass base. But the strategy fell apart from the moment the primary sector boom took off and the resurgent agro-mineral elites flexed their political muscles based on record profits.

The right-wing primary-sector elites refused to play along with the 'productive' alliance and the 'share the wealth' policies of the centre-left regimes. Unable to put the genie back in the bottle, the centre-left became a political captive of the resurgent right, backtracking on promises to its mass base and unwilling and unable to protect its supporters, let alone mobilize them against the institutional and street violence of the right-wing shock troops in the primary sector.

As Social Movements Ebb Neoliberalism Revives

The ascendancy of the kingpins of the booming economy has had important repercussions for macroeconomic policy and the contour of national politics. First and foremost, the right has captured political power in the most dynamic agro-mineral regions, and with access to windfall profits and local tax revenues, have been able to fund local welfare projects, which mobilize the great majority of the local population in support of their 'regionalist' agenda. In so doing they have been able, to a great extent, to turn class conflict into sectoral and regional conflicts. Current developments in the Santa Cruz region of Bolivia (see Chapter 5) exemplify this process.

Second, regional leverage and the increasingly strategic role of the right-dominated regions in the national economy have resulted in a greater political influence of the right in national politics. In particular, important economic elites in the capital cities, particularly in the finance and commercial (export-import activities) sectors, have joined forces to undermine the centre-left regimes. The result has been the increasing 'bending' of the vulnerable centre-left regimes to the deregulatory demands of the agro-mineral sector. The problem facing the centre-left regimes is that the resurgence of the right takes place at a time when inflationary pressures are forcing organized labour to demand greater salary increases, especially in light of the past five years of rapid growth and growing inequality. The result is a three-cornered conflict in which the centre-left regimes face opposition from its former popular base, and have been abandoned by the middle class in the provinces and capital cities.

The regulatory measures that the centre-left introduced in the face of the crisis earlier in the decade are now being eroded. Their weak efforts to ameliorate extreme poverty and to finance urban employment are being undermined by a self-confident and assertive agro-mineral groups on the right that correctly see themselves as the dynamic centre of the centre-left export-led development strategy. The dependence of the centre-left on the primary sector and its failure to introduce structural changes in land tenure, mineral and energy control were crucial to the powerful resurgence of the right. The centre-left's refusal to re-nationalize the strategic economic sectors privatized during the previous decade and its strategy of political demobilization of the popular movements have dramatically shifted the balance of political power to the right.

Decline of the Peasant and Indigenous Movements

By the turn of the millennium peasant and indigenous movements were playing a major role in some countries in Latin America. In Bolivia, Ecuador, Colombia, Mexico, Peru, Brazil, Central America and Paraguay, peasant and indigenous movements played a major role in either overthrowing neoliberal regimes, building powerful regionally-based movements with an impact on national policy,

helping elect centre-left presidents and, in a few case, providing mass support for guerrilla movements. Most of these social movements were effective 'veto groups' in the making of a national political agenda. As important political actors, these movements were much sought after allies by self-declared centre-left electoral politicians and parties to counter-act the patronage politics of right-wing agro-mineral elites. The moment of triumph of the movements, their recognition as central actors in national politics, as potential makers and breakers of the electoral fortunes of urban-led political parties and leaders, was also the beginning of the end of their role as representative agents of the mass base.

Peasant and Indigenous leaders succumbed to blandishments or political favours, government jobs, EU and US-funded NGOs and micro-project loans administered by the international banks. Social movement leaders witnessed their centre-left political allies turn to the right, embracing the agro-mineral export strategy and abandoning promises of land reform, food security and funding for cooperative agriculture. The result was the visible loss of political initiative, internal divisions and mass defections and, in some cases, the transformation of the movements into transmission belts of official policies leading to partial demobilization and the loss of 'street power'. Above all, the turn and emphasis on 'autonomy' and ethnic politics, promoted by the NGOs and their EU and North American funding agencies caused the indigenous movements to move away from class politics in favour of a separatist regional politics. This shift to identity politics isolated them from the trade unions, miners and urban working class and provided the powerful regional agro-mineral elites with a pretext to seize control over the most productive and rich regions of the country, containing the most fertile soil and concentrations of minerals and major gas and oil fields.

Despite the disarray of the peasant (and especially the indigenous) movements and their increasingly marginal role in national politics, an army of leftist and progressive journalists, NGOers, academics, and writers continued to prattle on about 'Latin America's powerful social movements', a 'pink tide', the 'advance of the Left', and so on. As the agro-mineral bourgeoisie and the far-right in Bolivia passed separatist referendums in provinces which they dominated, and peasants and Indian supporters of the central government were savagely beaten by neofascist thugs backed by the provincial separatist regimes, the Morales-Linares regime in Bolivia abandoned any pretext of defending the physical security of its followers while making every effort to placate the agro-mineral elite. In Ecuador, subsequent to the CONAIE's disastrous (2003) electoral alliance with pseudo-populist-turned-rightist Lucio Gutiérrez, the popular movement declined, divided and demoralized in its mass base, reaching its nadir in the 2007 vote for the Constituent Assembly where it secured barely 2 percent of the vote for its candidates. The Zapatista movement marginalized itself by refusing to support the multitudinous protest movement against the presidential fraud of 2006, and by giving only minimal token support to the mass urban-rural uprising in the Mexican state of Oaxaca which lasted six months under severe state repression.

Social Movements Retreat from the National to the Local Arena of the Class Struggle

In the latter third of the 2000-2010 decade, in the face of the ebbing of the left movements and the demise of the centre-left regimes and the resurgence of the hard right agro-mineral elite, the rural social movements have retreated toward local, sectoral struggles, the urban trade unions and movements toward economic-salary struggles and the indigenous movements to defensive survival struggle against the dynamic expansion of soya plantations, timber exporters, and mineral and oil multinational corporations. The leading rural movements, such as the MST in Brazil, experienced reversals as the government evicted land squatters and turned against the land occupations. CONAIE in Ecuador, and indigenous groups in Chiapas saw many more of their supporters abandon their ancestral lands, their farms, the movement and even the country. The peasant and Indigenous federations of Bolivia witnessed the vast expansion and enrichment of the agribusiness export elites, while poverty levels of 65 percent persist, fuelling massive outward migration overseas.

The retreat of the Indigenous and peasant movement from the class struggle, and the resurgence of the agro-mineral ruling elites with the right-wing parties that represent their interests, are two aspects of a new political reality that reflect changing economic conditions. We elaborate below on these conditions and their dynamic albeit contradictory political developments.

Contradictions and Paradoxes

Capitalist development is rife with contradictions. For one thing, economic production within the capitalist system is a profoundly social process, dependent on the cooperation of all sorts of producers and workers, but yet these producers and workers, who by the virtue of their labour create the marketed value of the social product, are increasingly dispossessed from their means of production and in the process alienated from the product of their labour. The owners of the increasingly concentrated means of production, which, under capitalism are converted into private property, end up appropriating the social product, profiting from the labour of others. Thus, the rich and powerful tend to become more so, while the mass of the world's producers and workers are invited to partake of the crumbs that are allowed (even made) to trickle down to the poor. The paradox in this 'contradiction' – one of many, it turns out – is that the more workers produce, and the harder they work, the worse off they are. But yet they will inherit the earth because exploitation and oppression inevitably begets forces of resistance, diggers of the graves that await the rich and powerful.

The Paradox of the Primary Commodities Boom: Economic Growth on the Periphery

It has long been a matter of theoretical principle that a national development strategy focused on the export of primary commodities – of raw materials and primary resources with little to no value added in the process of production – is bound to fail, leading countries into a relation of economic dependence, and a pattern of deteriorating terms of trade, on the world market. Indeed, the exchange of raw materials for manufactured goods was a defining feature of the division of labour under the imperialism of the early 20th century as well as the new imperialism of world development within the post Second World War liberal world order and capitalist system. Latin American structuralism, a school of thought associated with Raúl Prebisch, founder of CEPAL (ECLAC), advanced the theory that the exchange of raw materials for goods manufactured at the centre of the capitalist system was disadvantageous for countries on the periphery; indeed, it was argued, the failure of Latin America to participate in the benefits of international trade could be attributed to the peripheral status of its economies.

At least thirty years of economic development provided credence to the notion of deteriorating terms of trade as a structural source of Latin America's dependent and failed development. Thus, the recent upsurge of economic growth in the region as of 2003, provided a major reality test of this theory, given that this growth was unquestionably based on the growing demand for primary products such as minerals and energy and the primarization of exports fuelled by the emerging and rapidly expanding markets of China and India.

The result of this development has been a dramatic and historic turnaround in development theory – and in the outcome of national development policies in Latin America. Whereas the strategy of exporting primary commodities, adding no or little value to the product in the process, in previous decades was a virtual disaster because of the established deterioration in the terms of north-south trade, the same strategy in recent years have resulted in record growth rates and a bonanza of resource rents and windfall profits on sales. Tables 1.3 and 1.4 tell the tale for a number of countries in south America that are well positioned to fuel the world demand for primary commodities – petroleum and natural gas, minerals and grains, etc.

The data provide clear empirical evidence of a dramatic reversal of an historic trend towards deteriorating terms of international trade, hitherto conducted mainly on a north–south axis. The record rates of economic growth registered over the past five years correlate with the weight of primary commodities in the structure of total exports (Tables 1.5 and 1.6). Thus, Argentina, Chile, Peru and Venezuela, with 68.4-89 percent of their exports in primary commodity form, from 2004 to 2007 recorded rates of annual growth from 7.4 to 8.5 percent. In contrast, the rate of annual growth over these years for Latin America as a whole, with 52.4 percent weighting of primary commodities in exports, grew at an annually averaged rate of 4.2 percent, just half the rate recorded by the primary commodity exporting

Table 1.3 Goods export index, 1995-2006 (2000 = 100.0)

	1995	2000	2003	2004	2005	2006
Argentina	72.4	100.0	112.6	118.0	136.0	144.9
Bolivia	75.9	100.0	127.8	151.9	171.8	182.9
Brazil	71.7	100.0	137.7	163.8	178.5	185.7
Chile	63.3	100.0	117.5	135.7	141.2	144.0
Mexico	49.3	100.0	99.5	105.1	112.0	124.5
Venezuela	83.4	100.0	81.4	92.6	96.2	91.2
LA	**62.8**	**100.0**	**107.7**	**118.9**	**128.6**	**137.5**

Source: CEPAL (2007: 270).

Table 1.4 Terms of trade index, 1995-2006 (2000 = 100.0)

	1995	2000	2003	2004	2005	2006
Argentina	96.0	100.0	107.2	109.2	106.9	113.0
Bolivia	110.6	100.0	98.5	104.1	111.8	134.6
Brazil	107.6	100.0	97.0	97.9	99.2	103.8
Chile	102.1	100.0	102.8	124.9	139.8	183.7
Mexico	83.1	100.0	98.8	101.6	103.6	104.1
Venezuela	56.6	100.0	98.7	118.1	154.4	184.4
LA	**89.8**	**100.0**	**98.6**	**103.6**	**108.6**	**115.0**

Source: CEPAL (2007: 276).

Table 1.5 Primary commodities as a percentage of total exports, Latin America, selected countries, 1995-2006

	1995	2000	2003	2004	2005	2006
Argentina	66.1	67.6	72.2	71.2	69.3	68.4
Bolivia	83.5	72.3	83.9	86.6	89.1	89.8
Brazil	46.9	42.0	48.5	47.0	47.3	49.5
Chile	86.8	84.0	83.8	86.8	86.3	89.0
Cuba	–	90.6	81.0	78.5	73.3	–
Mexico	22.5	16.5	18.6	20.2	23.0	24.4
Peru	86.5	83.1	83.0	83.1	85.3	88.0
Venezuela	85.8	90.9	87.3	86.9	90.6	94.4
LA	**50.1**	**42.1**	**44.5**	**46.6**	**50.1**	**52.4**

Source: CEPAL (2007: 186).

Table 1.6 Economic growth, annually averaged (%), Latin America, selected Countries – 1990-2003 and 2004-2007

	1990-2003	2004-2007
Argentina	1.3	7.4
Bolivia	2.4	2.8
Brazil	1.4	2.4
Chile	1.4	3.0
Mexico	1.6	3.6
Venezuela	2.1	8.5
LA	**1.6**	**4.2**

Source: World Bank (2005, 2008).

countries. Brazil and Mexico, representing lower levels of primary commodity exports – 49.5 and 24.4 percent respectively – recorded rates of growth from 2.4 and 3.6 percent, below the regional average and well below the high growth recorded by Argentina, Chile, Peru and Venezuela, countries in the region with the highest primary commodities/exports ratio.

The Profit Paradox

The highest rates of private profits, growth rates, foreign exchange reserves and fiscal austerity have occurred under popularly elected centre-left regimes of the new millennium, not the neoliberal rightist regimes of the 1990s. In part this is because of the high world prices of agro-mineral exports, but it is also because of the political stability, economic incentives and fiscal policies of the centre-left regimes. The demobilization by the centre-left of the popular insurgency and the channelling of politics into established institutional channels has been viewed positively by both foreign and domestic investors, leading to the repatriation of capital. The regimes imposition of moderate wage increases at a time of expanding capital gains has increased profits and income inequalities. Equally important, centre-left regimes have reduced somewhat the scale of the pillage of national resources and the form if not massive scale of corruption, forcing capitalists to invest their capital more productively rather than robbing the treasury. The corruption of politicians in the centre-left (populist or pragmatic neoliberal) regimes largely becomes a means of greasing the wheels of investment rather than rentierism. In effect, the expansion of capitalism under the putative 'centre-left' or the pragmatic rather than neoliberal right is partly the result of a turn from the plundering of resources to productive investment or 'normal' capitalism. In this sense the difference between the neoliberal right and the centre-left is not over capitalism per se or the question of free versus regulated markets, or even neoliberalism: the difference is in the power bloc or class coalition supporting the regime.

The Paradox of Economic Growth with Hunger

The greater the agricultural growth and the greater the export earnings, the worse the inflation, the greater the decline in food consumption and the greater the generalized discontent. The enormous increase in demand from the dynamic newly industrializing and mineral rich countries as well as the demand for ethanol from the imperialist West, the greater the growth in agricultural exports. The massive inflows of revenue and the decline of domestic food production as land is converted to soya, sugar and grass for foreign markets, the greater the disequilibrium between local food demand and supply, resulting in inflationary pressures. Inflation outruns wage increases, leading to greater social malaise, food riots, strikes and road blockages. Inflation is polarizing civil society in multiple directions pitting agro-exporters, transport, consumers, fixed economy pensioners, wage and salaried workers against each other, weakening the leverage of the central government over the economy and eroding its popular and ruling class support.

Never before have the economies in the region experienced the current levels of technological advance in the expansion of agriculture and food production. Never before have the same economies suffered from such an imbalance in its food security and the capacity to produce sufficient food for all members of society, not just for the wants of a consumerist middle class but to meet the basic needs of the urban and rural poor.

With the largest petroleum reserves outside the Middle East, and growing demand for its mineral products and primary products, the regional economy has been on a roll since 2003. Record exports of crude oil, as well as grains, has fuelled rates of economic growth not seen since the 1970s. After two decades (1981-2002) of next to no growth (barely averaging 0.5 percent), the regional economy has posted rates of growth averaging around 5 percent – and well over that in some

Table 1.7 GNP growth, annual rates, 1995, 2000, 2003-2007

	1995	2000	2003	2004	2005	2006	2007
Argentina	-2.9	-0.8	8.8	9.0	9.2	8.5	8.6
Bolivia	4.7	2.5	2.7	4.2	4.0	4.6	3.8
Brazil	4.2	4.3	1.1	5.7	2.9	3.7	5.3
Chile	10.6	4.5	3.9	6.0	5.7	4.0	5.3
Cuba	2.5	6.1	3.0	4.5	11.8	12.5	7.0
Peru	8.6	3.0	4.0	5.1	6.7	7.6	8.2
Mexico	-6.2	6.6	1.4	4.2	2.8	4.8	3.3
Venezuela	4.0	3.7	7.8	18.3	10.3	10.3	8.5
LA	**0.6**	**3.9**	**2.1**	**6.2**	**4.7**	**6.9**	**3.9**

Source: CEPAL (2007: 89).

countries in south America such as Argentina, Chile, Peru and Venezuela that have supplied the growing world demand for primary commodities (Table 1.7).

In this new context of rapid economic growth wealth has become increasingly concentrated[1] and the region's stock markets have roared, spawning a new generation of super-rich billionaires. Easier credit and export-led development also spawned an expanding new middle class of consumers who have snapped up real estate deals, homes and cars. At the same time, about 26 million Latin Americans, according to UN and World Bank data – which, admittedly, is to some degree cooked or manufactured (via a shift from national to international poverty lines) – have been lifted out of poverty or have managed to escape it themselves via migration for the most part.[2]

But the same forces behind this new prosperity in some sectors are now, paradoxically, creating misery. Surging fuel prices have ignited inflation throughout the region, driving up the cost of food, the prices of which were already on the rise thanks in part to ravenous global demand for Latin America's farm products. In some countries, a gallon of gas now costs more than a typical day's wages. Food prices have escalated at a yearly average of 15 percent since 2006, according to CEPAL, and the prices of many staples have increased much more than that. The World Bank estimated that in July 2008 The IMF estimates that the regional average inflation rate in April 2008 was 7.5 percent compared to 5.2 percent a year earlier and the World Bank (*La Jornada*, 29 July) estimates that in Mexico the 2008 inflation rate reached a level not seen since 2002, erasing the wage gains made by workers in different sectors and producing strike action to recover the value of the wage and pensions. But by other accounts this is a gross understatement. In Argentina, for example, the official inflation figure of 9.1 percent is less than

1 On the concentration of wealth in the form of private property and the Big Economic Groups in Argentina see Basualdo (2008).

2 An example of how the poverty rate has been reduced not so much by policy reform as methodological fiat or statistical manipulation is provided by the case of Peru, where the government, pursuing a populist line of pragmatic neoliberalism under conditions of high economic growth, purports to have lowered the poverty rate by 15 percent since 2006. The former director of the Statistics Institute (INEI) has argued that this 'achievement' was entirely the result of methodology – similar to a shift from a basic needs measure of the poverty line to the world bank's international poverty line, which in the case of Mexico in 2004 (World Bank, 2006) resulted in a 50 percent reduction in the poverty rate. The same device in Chile, which shifted large numbers of the poor to a point just above the poverty line resulted in a 30 percent reduction in the rate of poverty – an ostensible model of the new poverty-targeted social policy. Other critics noted that the INEI had not taken into account the inflation of recent years, particularly the increasing cost of food. Ollanta Humala, an indigenous nationalist opposition member and ex-Presidential candidate, observed that 'the statistics have changed, but no one in the streets is aware of it'. In the midst of a pubic controversy and polemic on the issue, the new director of INEI also admitted inserting data on 700 families who had not responded to the questionnaire, even while insisting that the results were 'genuine'.

half the actual rate. Also for some reason economists do not include the cost of food and fuel in the measure of the 'core inflation rate'. According to DIEESE, a Brazilian research outfit linked to the labour movement, in some area of the country the cost of the 'canasta básica' (the basic needs basket) has risen by 50 percent over the year.

The increases are leeching workers' pay cheques and eroding the limited progress made against hunger and indigence. In 2007, at least 500,000 people in El Salvador and Guatemala toppled into poverty, the UN's World Food Program estimates. Across Latin America, an additional 15 million people could fall back among the region's 190 million poor if prices keep rising at their recent pace.

They are not alone. If gasoline and grocery prices continue their relentless climb, and farmland is converted for biofuel production, at least 100 million people worldwide may be sucked into the same downward spiral, the World Bank estimates. In Africa, food riots have erupted in Egypt, Cameroon and Burkina Faso. Consumers have staged demonstrations in India and Indonesia to protest fuel subsidy cuts. And in the Caribbean as well as Central and South America, food riots have led to the overthrow of regimes, mass protests, road blockages from Argentina, Bolivia, through Colombia, Venezuela and Haiti.

'There is,' notes Carlo Scaramella, who heads the World Food Program in El Salvador, 'a whole combination of factors that are putting a tremendous amount of pressure on the poor'. He adds: 'We haven't had an economic shock of this magnitude in years'. And it is one thing to compile the statistics; it is another to live the reality behind them. In this connection, Maria and José Lopez, who live with their three children in a two-room cinderblock house on a hillside in San Salvador, are feeling the strain. Earlier this year, they scraped together $148.50 for a down payment on their own place in this hard-luck area, aptly named 'Thin City'. But their dream of home ownership has vanished. The new priority is simply to eat. They spend the largest chunk of their wages on food. Eggs, rice and beans have all jumped by more than 30 percent in the past few months, cutting deeply into the family's $500 monthly income. José, a labourer, pawned his wedding ring to buy groceries following a short bout of unemployment. Maria, who works in the central market downtown, cadged a loan from her employer. She recently took a weekend job as a domestic. They pulled Laura, 14, and Kimberly, 10 – out of Catholic school. Only Bryan, 7, is attending classes. The family can no longer afford $17 per month tuition for each girl on top of their debts, childcare and ballooning food bills. 'I'm frightened', Maria said. 'I'm working seven days a week, and it's still not enough'.

She has good reason to be frightened. The power of the dominant class and its social consequences are truly frightening.

The Development Paradox

A major development paradox in contemporary Latin America is that the Post-Washington Consensus on the need for a more socially inclusive form of neoliberalism, and a decade of poverty alleviation policies implemented on the basis of this consensus (see Chapter 3), has translated into greater social inequalities in the distribution of wealth, productive assets and income. In the case of Brazil and Chile, the countries that together with Guatemala exhibit the greatest degree of inequality in the distribution of wealth and income, the richest decile of the population concentrates anywhere from 47.2 to 46.8 percent o total national income (De Ferranti, Perry, Ferreira and Walton, 2003).

Inequality in Latin America, as noted in a recent World Bank report (De Ferranti, Perry, Ferreira and Walton, 2003), 'is extensive. The country in the region with the least income inequality (Uruguay) is still more unequal than any OECD or Eastern European country.' This inequality, the report adds, 'is … pervasive, characterizing every aspect of life, including access to education, health and public services; access to land and other assets; the functioning of credit and formal labour markets; and attainment of political voice and influence.'

High inequality, the Report continues, has major costs. First, 'it increases poverty and reduces the impact of economic development on poverty reduction'. Second, 'it is probably bad for aggregate economic growth, especially when associated with unequal access to credit and education, and with social tensions'. For 'all these reasons' (what reasons?), the Report concludes that 'Latin American countries must make an effort to break with their long history of inequality. Can this be done? Yes,' the report insists, 'if there is decisive action to tackle the range of mechanisms that reproduce inequality'.

Here's the rub. What 'mechanisms'? And 'what decisive actions', beyond those taken by governments – and their strategic partners – over the past two decades under the PWC. First, the report roots the problem of social inequality 'in its modern form' to 'exclusionary institutions that have been perpetuated ever since colonial times and that have survived different political and economic regimes, from interventionist and import substitution strategies to more market-oriented policies.' But what about the exclusionary policies pursued by these governments over the past two decades for the sake of economic growth – the 'pro-growth policies' ('structural reforms') of the vaunted Post-Washington Consensus?

Second, 'the state needs to strengthen its capacity to redistribute' (?). But what about the attack against the redistributive growth policies of the developmental state, which, the report notes were associated with a reduction in social inequality in the 1970s. 'These (which?) and other instruments (but which?) can provide the basis for a truly progressive social protection system' in Latin America.

Third, 'given the deep historical, institutional roots of high inequality, progress on all these fronts will require decisive social action and political leadership.' However, for the economists at the World Bank this implies 'making progress toward more inclusive political institutions' ('building more open political and

social institutions') rather than changing the policies and institutional mechanisms that continue to reproduce the problem.[3]

The paradox of 'pro-growth' policies and increasing social inequalities is easily resolved, and evident to all but the architects of the Post-Washington Consensus on correct macroeconomic policy. The very policies that the World Bank and the 'development community' espouse are a major cause of the 'inequality predicament' (United Nations, 2005), a major 'mechanism for reproducing … So, on the one hand, World Bank economists bemoan the extreme inequality … pervasive in most Latin American societies', viewing it as an obstacle to growth as well as a source of poverty. On the other hand, they perversely insist on policies that by most scholars are directly and indirectly linked to the trend towards increasing inequality and the problem of poverty.

The World Bank 2003 report on inequality, just like the UN's 2005 Report, *The Inequality Predicament*, make reference to household surveys showing that the richest 10 percent of individuals receive between 40 and 47 percent of total income in most Latin American societies, while the poorest 20 percent receive only 2-4 percent (see Table 1.8). And, the data here relate to the proportion of national income that is disposable by households; Total income is more regressive than household income, and the distribution of wealth even more so. The distribution of total income, as opposed to household income, is also more directly the result of the policies that the World Bank touts as 'the solution' to problems of exclusion, poverty and the lack of development. The distribution of household income, like government social programming, reflect government policy as well as institutions shaped by these policies, which in most cases are designed to order of the PWC on the need for greater social inclusiveness and openness.[4]

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3 To address the 'deep historical roots' of inequality in Latin America and 'the powerful contemporary economic, political and social mechanisms that sustain it', the World Bank report outlines four broad areas for action by governments and civil society groups to build coalitions to break this destructive pattern: (i) 'build more open political and social institutions, that allow the poor and historically subordinate groups, such as Afro-descendants and indigenous people, to gain a greater share of agency, voice and power in society; (ii) ensure that economic institutions and policies seek greater equity, through sound macroeconomic management …; (iii) increase access by the poor to high-quality public services … as well as access to farmland and the rural services the poor need to make it productive … [and] protect and enforce the property rights of the urban poor; and (iv) reform income transfer programs so that they reach the poorest families.'

4 The key to reducing inequality in Latin America, according to Guillermo Perry, the Bank's Chief Economist for Latin America and the Caribbean and co-author of the study, is 'institutional reform': To overcome the inequality that undermines their efforts to get out of poverty, poor people must gain influence within political and social institutions, including educational, health and public services institutions. To enable them to achieve such influence, the institutions must be truly open, transparent, democratic, participatory – and strong.

Table 1.8 Indicators of inequality, selected Latin American countries (and the US and Italy for comparison)

	Gini Coefficient	Share of top 10% in total income	Share of bottom 20% in total income	Income ratio, 10th/1st deciles
Brazil (2001)	59.0	47.2	2.6	54.4
Guatemala (2000)	58.3	46.8	2.4	63.3
Colombia (1999)	57.6	46.5	2.7	57.8
Chile (2000)	57.1	47.0	3.4	40.6
Mexico (2000)	54.6	43.1	3.1	45.0
Argentina (2000)	52.2	38.9	3.1	39.1
US (1997)	40.8	30.5	5.2	16.9
Italy (1998)	36.0	27.4	6.0	14.4

Source: Statistical Appendix Tables A.2 and A.3, World Bank Development Indicators Database, World Bank (2006).

Income is but one dimension of policy or structurally induced social inequality. Another critical dimension of social inequalities is the connection between income and access to education, health and other 'services'. As the World Bank reports, 'inequalities with respect to education, health, water, sanitation, electricity, and telephones are also typically large and correlated with differences in income'. For example, the Report adds, 'differences in average years of education between the top and bottom income quintiles ranged between five and nine years for 31-40 and 51-60 year-olds across the region'.

Standard surveys do not provide comparable material on inequalities of power or influence, but a wealth of political, historical and sociological information attests to both their salience and association with the concentration of wealth and what the UN (2005) terms the 'inequality predicament' (as the UN phrases it), a problem of social exclusion, inequity or unequal opportunities, and incapacity to take advantage of existing opportunities.

The World Bank in its Report raises the question as to whether or not inequality is improving – has improved over the past two decades of neoliberal reform. In the answer given to this question, the Report's authors are somewhat coy, astutely or perversely avoiding the obvious: that it has not improved – the persistence of the 'inequality predicament' is not because it has resisted all the diverse efforts to redress the problem but precisely because of these 'pro-growth' policies touted as 'pro-poor' (Eastwood and Lipton, 2001; Lopez, 2004). The Report's authors note at the outset that 'during the last decade, diverse patterns have emerged with respect to income differences, with more countries experiencing a worsening than an improving trend.'

Most countries in the region experienced a worsening of social inequality over two decades of neoliberal reform, with a dramatic deterioration for Argentina both before and during its economic crisis. At the other end of the scale, Brazil – historically the most unequal country in the region – experienced a modest decline in income inequality. Most countries in the region experienced a worsening of social inequality, even with a modest to significant (in the case of Chile) reduction in the poverty rate.

It is not as if the authors of the Report are ignorant of the advances achieved by the development state in reducing or alleviating poverty. 'In previous decades, there was a trend toward reduced inequality in the 1970s and a more pronounced trend toward rising inequality during the crisis-ridden 1980s' – and they could have added, the first decade of neoliberal reforms.

As for the second decade of neoliberal reforms, under the post Washington consensus … the authors note the 'striking fact for the long term … the resilience of high inequality in the face of diverse economic and political regimes'. What is most striking about this fact is the refusal of the authors to draw the obvious conclusion – that this persistence is directly attributable to the neoliberal policies that they espouse, that even a NSP to give the reform process a human face – pursue policies that ensure that 'pro-growth' becomes 'pro-poor' – could not change the general trend towards increasing inequalities – indeed they reinforced the trend, reproducing in some contexts an extension and deepening of poverty. For example, in only five of the sixteen countries analyzed by ECLAC economists in a recent study (2007) has poverty been significantly reduced relative to the early 1990s; and in Argentina, Bolivia, Uruguay and Venezuela either no progress has been made or the absolute number of the poor has substantially grown (ECLAC, 2007b).

So it turns out that the paradox of economic growth and increasing social inequalities is not a paradox at all. It is simply a matter of cause and effect – of neoliberal policies in action. In the vortex of this development millions of the region's urban and rural poor are condemned to the misery of scraping by on the margins of society, hungry and poor, while the rich, the billionaires that have sprouted in the fertile soil of neoliberal policies, revel in their 'good life'. For every family enjoying the good life there are millions living in squalor and misery.

Productive transformation and economic growth without equity and with poverty are not the only paradoxes of economic and social development. Another is that the principal sites of Indian slave labour on haciendas in Latin America have been found in Bolivia and Brazil, one country led by an 'Indian' president and the other a former leader of a major trade union confederation. The most flagrant abuse of indigenous citizens protesting economic contamination and elite abuse is in the three 'centre-left' regimes of Ecuador (in the mining centres), Bolivia (especially in Santa Cruz) and Chile (scores of Mapuches in the South have been jailed by the 'socialist' President). The more successful the economic recovery of the centre-left regimes, the less support they receive from the middle class, the stronger the elite demands for greater concentration of wealth and the weaker the counter-response of the popular social movements. The centre-left

regimes have presided over dynamic growth and greater social polarities, which have dramatically shifted the balance of power to the hard right and hastened the demise of centre-left political hegemony.

The Paradox of Populist Regimes Prioritizing Debt Obligations over Social Programmes

The hard Right prioritized its relations with the international lending agencies, depending in large part on debt financing for many of its investments in unproductive financial sector growth. The right-wing's pillage of banks and destruction of savers' confidence led to constant resort to the IMF and World Bank for bailouts, in the process subjecting the economy to onerous conditions limiting growth, especially in the real economy. Rhetorically the centre-left waged ideological warfare against the IMF and especially its conditionality and onerous debt payments, which, it can be argued, has impoverished the working class. Once in power, the centre-left moved quickly and decisively to pay down the official debt (in fact paying down the debt to the IMF and World Bank), claiming it was limiting their influence. In fact the centre-left regimes increased the total private internal and external debt, loyally following IMF tight fiscal policies and programmes on budget surpluses,[5] and retaining 'central bank' links to the financial sector – terming this arrangement 'autonomy'.

None of the central banks in any of the centre-left or welfare-populist regimes in fact have placed any restriction on debt payments;[6] none have given priority to the 'social debt' over paying bondholders or creditors. The centre-left regimes have

5 The policy of debt payment, manufactured in Washington and peddled in the corridors of state power all over Latin America, is worded by the Deputy Managing Director of the IMF in the following terms (Carstens, 2005): 'The public debt in many Latin American countries is still too high. Current debt-to-GDP ratios – averaging 55 percent – are far above the levels of the late 1990s. In some of the largest economies, that ratio is above 60 percent. Bringing these levels down would ease many vulnerabilities, increase the scope for flexible fiscal responses to external disruptions, and free up scarce fiscal resources for the most essential and productive expenditures. For oil-exporting countries, such as Mexico, the current economic circumstances have opened up an especially good opportunity to devote part of the surplus revenue to reducing the public debt and/or contributing to stabilization funds to be used in lean years.'

6 Alier and Clements (2007), two IMF economists, in their 'comments on Miguel Braun's Fiscal Policy Reform in Latin America', note that as a result of 'stronger fiscal balances in conjunction with solid economic growth', have reduced 'public debt burdens'. Have been reduced to manageable proportions, even though still above the World Bank's 'danger threshold' of 50 percent. 'On a weighted average basis', they note, 'public debt to GDP ratios have declined to about 52 percent of GDP, a drop of about 24 percentage points of GDP since 2002'. Typically, they attribute this debt reduction to 'structural change' ('solid economic growth') rather than politics: the decision of government officials to allocate new fiscal resources to debt repayment rater than social programmes.

been as prompt and punctual in meeting debt payments as those on the neoliberal right had been – once payments were agreed to. Argentina, which initially agreed to reduce the debt payments following the financial crises, followed up by agreeing to add or increase payment in accordance with its rate of economic growth. In the past five years of export-led 8 percent growth, foreign and domestic debtholders more than recovered what was initially discounted. In all centre-left regimes the growth in debt payments and increases in foreign reserves far exceeded the incremental increases in the minimum wage, creating attractive markets for overseas investors in their stock markets.

A Political Paradox: Leftist Electoral Victories and Right-wing Resurgence

Contemporary Latin America can best be understood by examining its most salient paradoxes, identifying the basic contrast between the proclaimed appearances and the empirical reality. Over the past three years the most powerful and organized civil society movements are organized by right-wing urban big business, agribusiness elites backed by substantial numbers of the private sector middle class small farmers, retailers, civic associations, transport owners and professional organizations. In contrast, the rural and urban social movements of the poor organized by the left are in retreat, immobilized or in a 'defensive mode'. The resurgence of the right has taken place in the context of left-centre regimes whose policies have demobilized the movements via co-optation, stimulated an economic recovery which has in turn raised expectations and demand from the right for greater 'autonomy', regional power, more lucrative concessions and lower taxes. A brief survey of Latin American in 2008 of all the major countries confirms the new paradigm of a resurgent right.

Bolivia

By the end of June 2008, the hard right fully controlled the governments in five provinces, ran and won referendums in four provinces, dominated the 'streets' and plazas through aggressive 'civic organizations', periodically engaged in violent attacks on assemblies of Indians, trade unions and had the power to call effective general strikes and lockouts closing down the economy. Led by the agribusiness oligarchy of Santa Cruz, they set up a parallel government to negotiate tax collection, foreign economic policy and to force the national army and police to abide with its policies. The result is that the rightist-dominated regions now control over 85 percent of the gas and oil exports and reserves, 80 percent of agro-exports and most of the financial and commercial institutions. Popular left organizations have been manipulated and divided by the Morales–García Linera regime, undermining their capacity to counter the rightist resurgence. In June 2008, the mining federation – or at least a majority of its delegates voted for a general strike to be held in July against the resurgent right and the impotent Morales–García Lineres regime.

Argentina

Throughout the first half of 2008, the leading agribusiness enterprises with strong support from the provincial bourgeoisie, small and medium farmers organized massive and sustained lockouts, a multitudinous demonstration of 200,000 in Rosario and forced the Cristina Kirchner government to renegotiate a tariff tax on the windfall profits of grain and soya exports. Right-wing leaders of the boycott succeeded in weakening the popularity of the centre-left regime, calling into question its authority and ability to govern, while building political alliances with the urban financial and commercial sectors. Equally important, the scarcity of food (meat and grains) led to price rises, fuelling inflation and provoking widespread discontent among the urban poor. There was little backing from the popular urban movements either in support of the centre-left regime or opposition to the rightist road blockages and boycott, except among sectors of the truckers unions. Clearly the right-wing agro-export-led rural movement replaced the unemployed workers movements as the dynamic sector of extra-parliamentary politics. As a consequence of the weakening of the centre-left, right-wing orthodox neoliberals are likely to become the electoral beneficiaries.

Brazil

During the first six years of the da Silva [Lula] presidency, right-wing business and banking leaders and advisers have dominated all the strategic economic positions in the government. The major 'movements' in the countryside have been totally dominated by the soya, timber, sugar-ethanol elite that has dispossessed the small farmers and the subsistence peasant producers in expanding their production of biofuel crops and other agricultural exports. The Rural Landless Workers Movement (MST) has seen its social actions criminalized, tens of thousands of their organized land squatters evicted, their makeshift shacks burned and crops uprooted by military, municipal and state police and private armies of agro-exporters. One of the driving forces of the agro-export boom has been large-scale, long-term foreign investment in millions of acres of fertile lands, food processing plants, ethanol refineries and storage and shipping facilities. Under Lula (da Silva) millions of acres of the Amazon region have been stripped of the tree cover and thousands of indigenous people and poor land settlers have been evicted.

At best the MST has been engaged in defensive struggles, declining land occupations and symbolic protests against biotech agriculture and ecological destruction. In contrast to the dynamic expansion of the capitalist-led land takeover movement receiving powerful financial and police support from the Lula regime, the popular movements are in retreat, under vigilance and subject to heavy repression, incarceration and assassination if and when they engage in 'direct action'. Lula's PT regime, which came to office with the powerful backing of the trade unions, the MST, public sector unions and popular social movements, has become the leader of the resurgent, elite-led agro-export movement. Lula has

eliminated the MST and trade unions' political options and opened the way for the reaffirmation of ruling class hegemony.

Venezuela

After the Venezuelan right suffered a series of severe setbacks, namely the defeat of the military coup of April 2002, the bosses' lockout of December 2002-February 2003, the referendum of 2004 and the presidential elections of 2006, they returned to the streets in 2007 and secured the defeat of the Chávez referendum in December 2007 by the narrowest of margins (less than 1 percent). The right-wing in Venezuela has, over the past decade, retained a mass extra-parliamentary presence and a well-funded network of NGOs that train and engage in wide-ranging street demonstrations, aided and abetted by US overseas agencies. The Venezuelan Right has combined electoral and extra-parliamentary action, violent terrorist and non-violent mass protest, alternating according to circumstances and opportunities. Taking advantage of concessions from the government, including regime amnesty of the coup participants, rising inflation and opposition-induced shortages, the right is aiming to win local and state elections scheduled for November 2008, where they hope to win a significant minority of state and municipal elections. Coming off from their leadership in the elite-dominated public and private university student movements and their solid business-agroelite base, the right hopes to repeat their first electoral success in the 2007 referendum. The government and its new mass party, PSUV (United Socialist Party of Venezuela), faces a rejuvenated right, strengthened by the Colombia-US sponsored infiltrators and agitators in the poor neighbourhoods capable of violent disturbances and promoting separatist movements, especially in the oil-rich state of Zulia.

Ecuador

The popular uprising of 2005 ousting right-wing President Lucio Gutierrez, the subsequent election of Rafael Correa and the twin victories in the referendum for a new constitution and the constitutional convention delegates (October 2007) all but eliminated the traditional right-wing parties. Having decisively lost their electoral bastions in the legislature and Presidency, the political right launched a large-scale regionalist-separatist 'autonomy' movement based in Guayaquil led by its mayor. In early 2008, they mobilized 200,000 rightist loyalists in an effort to pressure the Constitutional Assembly. Even more seriously, the military and its intelligence agencies, working closely with the CIA and the Colombian military, withheld information from President Correa regarding Colombian President Uribe's violent intervention and bombing of Ecuador's frontier region in pursuit of FARC guerrillas. In response Correa fired his Defense Minister and the head of military intelligence as well as replacing the head of the armed forces. The key to the resurgence of the right in Ecuador is the fact that the powerful coastal banks, industrial and financial groups have remained intact, as well as the major foreign-

owned petroleum multinationals that control 56 percent of oil production. The major private mass media allied with the right dominate the airwaves in the absence of any major government media outlet. While Correa correctly eliminated the most egregious pro-imperialist military officials, the civil and military institutions of the state continue to be honeycombed with appointees from the previous right-wing regimes. If Correa currently dominates the executive and legislature, the right has demonstrated its capacity to launch a powerful regional-based civil society movement and retain ties to key military sectors. The growth of the right in civil society occurs at a time when the principal left civil society movements (the Indian movement CONAIE and the petroleum workers trade unions) have been weakened and neglected or marginalized by the Correa regime, making it vulnerable to extra-parliamentary attack.

Colombia

Colombia is a country where the extreme right has made its greatest gains both within the government, civil society, the class struggle, and in relation to its neighbours. With the election of Alvaro Uribe, Colombia witnesses the systematic extension of death squad activity linked to a mass urban middle class movement and the forcible recruitment of tens of thousands of rural informers under threat of torture and death. Backed by over $6 billion dollars in US military aid, thousands of North American advisers, and the latest in electronic detection technology from the US and Israel, the regime has driven over two million peasants out of the countryside into urban slums or over the border. The reelection of Uribe was accompanied by an increase in the armed forces to 250,000. The centre-left mayors and congress-people of the *Polo Democrático* are totally impotent to prevent weekly massacres and are unable to block the enactment of a proposed bilateral free trade agreement with the US. The regime has militarized most of the countryside, isolating and destroying peasant and trade union organizations.

By 2005 the Colombian Right was infiltrating paramilitary forces into Venezuela to destabilize the Chávez regime. They organized the kidnapping of a FARC spokesperson in downtown Caracas. The culmination of Colombia's projection of regional power was the bombing of a FARC encampment in Ecuador, identified by the US and Colombia in the course of international negotiations over hostages and prisoners brokered by Chávez. As a result, Chávez bent to Uribe's pressure and publicly attacked the FARC calling on it to disarm and unconditionally submit to the terms dictated by the Colombian government. Today Uribe mobilizes 1.5 million supporters while the centre-left can count on 200,000 and the popular movements on the left are in full retreat.

Far from experiencing a period of left advance, Latin America is in the midst of a resurgent right both in civil society and in the electoral arena, in large part thanks to the economic boom, which (together with the consolidation and promotion of their economic backers in agribusiness, finance and mining) paradoxically now threatens to displace the centre-left regimes. The growing 'white-tide' has laid the groundwork

for a new form of joint imperial-oligarchic hegemony if and when the US recovers from its recession, financial crisis and the military quagmire in the Middle East.

The Political Paradox of Autonomy: Greater or Less Self-determination?

Another paradox is located in the leftist or centre-left proposal for 'autonomy', which has strengthened the right and the regional economic elite and weakened the central government and national popular movements. What started as a leftist-indigenous demand for a plurinational or multiethnic state based on 'regional autonomy' has evolved into the platform of the rejuvenated right – demanding regional autonomy in order to exclusively control and exploit agro-mineral rich regions. The slogan for 'autonomy' raised originally by Indian-led movements and backed by US and European-funded NGOs envisioned local ethnic self-government free of central government tutelage. The problem is that the most prosperous, revenue and resource rich areas are precisely the regions where the Indian communities do not dominate and in which wage labour and commercial relations have largely dissolved traditional indigenous 'reciprocal relations'.

With the ascendancy of centre-left government the issue was capturing additional revenue from the resource-rich, white oligarch-controlled regions in order to finance the development of the poorer regions where Indians predominate and to resettle poor and landless Indians on to fertile lands and to provide them employment in productive industries and mines. Rather, regional autonomy has essentially confined the Indians to their infertile and remote mountain regions to administer their own misery and receive little state aid generated by the enormous profits from mining and agro-exports. In contrast, once having lost influence or direct control over the central government, the rich regions dominated by the agro-mineral and financial elites have seized upon the Indian rhetoric of 'autonomy' to move toward de facto secession and monopolize locally generated wealth and revenues against any federal revenue sharing.

The vagueness of the entire 'autonomy' and 'local government' rhetoric failed to identify the classes that would benefit from the devolution of power and resources. Moreover the uneven development of regions and unequal distribution of wealth precluded any possibility of an equitable policy favouring the least developed and low-income regions. Regional autonomy, which first appeared (or was discussed) by the NGO community as a way of redressing the historical injustices wreaked on the indigenous population, had the opposite effect of denying a majority the fruits of its achievement of national power. The divorce of poverty-stricken Indians from regions of high growth and fertile lands and rich mines was a result of their historical dispossession by the big landowners and mine owners; and even earlier the flight from colonial predators in search of indigenous people for forced labour. The progressive demand is not to 'empower' the poor in their impoverished regions but to demand the devolution of lands via an agrarian reform and the expropriation of mines as real mechanisms to create class empowerment.

The centre-left regimes have declined to expropriate big property owners and resettle and empower the poor. Instead their policy of 'autonomy' preserves the existing elites and property historically cleansed of indigenous peoples, enclosing the indigenous communities in their unproductive and marginalized mountain enclaves and urban slums. Worse, regime rhetoric of 'autonomy' played to the hand of the right, allowing it to seize political control over the most prosperous regions of the country at the expense of the federal government.

The Paradox of Regime Politics: A Tilt to the Left with the Electoral Support of a Resurgent Right

There is no doubt about the leftist appeal of the centre-left politicians and regimes. Studies of the electoral results demonstrate conclusively that their main base of support came from the rural and urban poor, the lower middle class and the organized social movements and trade unions. The driving force of political regime change from the neoliberal right to the centre-left was the deep economic crises precipitated by the unregulated market, wild financial speculation and great concentrations of wealth in the midst of a systemic crisis. Yet it is precisely the popular electoral base of the centre-left regimes, which have benefited least from the economic recovery, the commodities boom, and the relatively high growth rate. It is the formerly discredited economic elite, which has recovered its high rates of profits and managed to consolidate its possession of dubiously privatized assets. The centre-left regimes have 'closed the cycle' that began with the end of the 1990s crisis of neoliberalism, leading to the discrediting of the rightist regimes and the decline of profits. This led to the emergence of powerful social movements, serving as the trampoline for the ascendancy of the centre-left to power, the recovery, growth and now resurgence of the right in both its economic and political expressions. All of this has taken place in less than a decade and far from the accounts of the myopic leftist commentators who still claim the 'end of US hegemony'.

The Paradox of Declining Labour Militancy and Greater Dispossession under the Centre-left

There has been a decline in labour militancy and an increase in displacement of urban and rural workers under the centre-left regimes. With its influence over and co-option of trade unions and peasant leaders. The centre-left oversaw the decline of general strikes and robust politically motivated mobilizations for structural change, which characterized the earlier period of rightist rule. Factory occupations by unemployed workers came to an end in Argentina. Unemployed workers organizations ceased to block major highways. Employers filed claims to repossess occupied plants, and in many cases won judgments in their favour.

Capitalist property was protected and functioned with fewer strikes and work stoppages. Land occupations by peasants were replaced by land dispossession by land speculators and agribusiness investors. The commodity boom has been accompanied by a real estate boom, leading to 'urban development' via the displacement of the urban poor from the shantytowns and the building of upscale high security apartments, shopping malls and business complexes. Under the slogans of 'modernization' and 'development' and easy credit, the centre-left has managed to convert class-consciousness into consumer-consciousness, especially for the organized better-paid unionized sectors of labour.

The Paradox of Subordinate Classes and Popular Sector Winning Elections but Losing Social Power

The election of centre-left personalities led to the substitution of traditional politicians for grass roots social movement leaders and in some cases the social movement leaders were converted into establishment politicians. In either case, in political office the centre-left politicians became apostles of the dogma of 'representing all classes' diluting their commitment to their original constituency and substituting Presidential decrees for popular consultations and downgrading the relevance of social power in the streets. The more sweeping the victory of the centre-left, the less dependent on social movements, the further it drifted from the programmatic demands of the social movements. The popular organizations were badly compromised, having harnessed their followers to the centre-left, were left with a disillusioned constituency with no alternative on the horizon, confined to extracting minor concessions.

The Integration Paradox: The Greater the Push for Regional Integration the Greater the Integration into the World Market

While there are numerous calls for 'regional integration', especially Venezuela's projected ALBA, the principal direction of Latin American trade is toward the dynamic centres of world trade. Increasingly major economic enclaves in specific dynamic economic sectors and regions of Latin America have linked up with fast-growing Asian, European and Middle Eastern regions – far surpassing the rate of growth in intra-regional trade. US proposed regional trade agreement, ALCA, never got off the ground; the Andean union is in tatters as Colombia and Peru seek bilateral agreements with the US; Venezuela's proposed ALBA includes only the marginal economies of Cuba, Nicaragua, Dominica and Bolivia, and most of the flows are from Venezuela to its weaker associates, and its principal trading parties still include the US and now Asia, the Middle East and Russia. Ecuador, ostensibly a potential member of ALBA, prefers to maintain its ties with the US, a major buyer of its petroleum exports.

The Paradox of US Power: As Globalization Advances US Power and Influence Decline

Latin American capitalism has become more 'free trade', more deeply integrated into the global market and exhibited higher growth rates at a time when US capitalism enters into recession and experiences stagflation. The old cliché: 'When the US catches a cold Latin America suffers pneumonia' no longer holds. Latin America is 'decoupling' from the US economy in three directions: increasing market ties with Asia and the EU; the expansion of regional trade; and increasing reliance on its domestic market. Given the commodity boom, 'going global' means higher profits, better market access and fewer restraints on achieving higher negotiated prices. As a consequence the declining centrality of the US market and political leverage means Latin American exporters can avoid non-reciprocal trade agreements with the US in which US quotas, tariffs and subsidies limit North-South free trade.

As the huge trade surpluses accruing to Latin American agro-mineral exporters grow, the need to finance via the IMF and World Bank declines. Given the harsh conditions imposed by the IFI, Latin American governments can seek commercial financing or draw on local public and private self-financing. The greater domestic and international liquidity had facilitated increased financing of investment in the agro-mineral export sector, which in turn has stimulated more free trade agreements within Latin America and between the region and rub-region and the EU and Asia. The fact that trade barriers are falling as IMF-World Bank influence wanes, suggests that the 'free market' policies in place throughout the region are endogenous and not 'imposed' from the outside. The economic power and political ascendency of the agro-mineral bourgeoisie and big capital, and the windfall profits from unrestrained access to overseas markets, are sufficient reasons for the embrace of free market policies in the region, even as the power of the IMF and the World Bank to dictate policy and their political influence decline.

Practically all of the regimes ruling Latin America, both those on the centre-left (populism) and those on the centre-right (pragmatic neoliberalism) attacked 'neoliberalism' as the source of 'maldevelopment' in the run-up to elections. But once in power, and confronted with the growth of world demand for export commodities and windfall profits, they have all embraced globalization and the turn to primary goods exports, the pursuit of reciprocal free trade agreements and the massive importation of finished goods – the typical pattern of development under the neoliberal model.

Anti-neoliberalism has become a ritualized demonic icon associated with discredited politicians and corrupted parties. However, its invocation and apparent 'successes' have served to mystify the 'faithful', disguising the fact that not just a few current regimes have taken the neoliberal prescription further along the non-regulatory path. While castigating 'old style' neoliberalism, current regimes gain the political capital to promote a new dynamic contemporary version.

Questions to Consider

The disjunction between the hopes and expectations of the left regarding Latin America's apparent 'left turn' and break with neoliberalism, and developments such as the resurgence of the right and a weakening of the popular movement that are at odds with these hopes and expectations, raise important questions that will be addressed below in other chapters:

1. What accounts for the recovery and expansion of capitalism in its neoliberal form, as well as booming exports, the political demobilization of popular (indigenous, peasant and unemployed workers) movements and the restoration of political stability?
2. What are the policy and political dynamics of private capital flows and global integration at the expense of labour and regional integration?
3. What accounts for decline of US influence and the demise of ALCA even as neoliberalism deepens and free market policies increase the contribution of foreign trade to the gross domestic product?
4. What accounts for the abrupt change in less than a decade (1998-2008) from what appeared as the terminal crisis of neoliberalism and massive popular upheavals to centre-left stabilization, dynamic export led growth under the aegis of free trade policies and with the resurgence of the right?
5. What accounts for the shift in the axis of growth from finance and industry to primary sector exports as the driving force of the economy and the marginalization of the urban social movements and middle class reform?
6. Why has class struggle politics declined in the face of the resurgence of patronage politics, backed and supported by many of the same formerly militant social movement leaders?
7. Why have vertical elite coalitions replaced horizontal intra-class alliances in which co-optation has replaced dissent? And how was it that a continuation of neoliberal macroeconomic policies over the past five years blunted class conflict, and was not challenged by traditional trade union leaders?
8. Why have unusually favourable external conditions in the world market not translated into a genuinely popular movement? and
9. What were the *objective* (economically given) and *subjective* (ideological and politically constituted) conditions that gave rise to a socialist project in Venezuela? What are the prospects for this project?

Chapter 2
Latin America at the Crossroads: In the Vortex of Change

The aim of this chapter is to reconstruct from a class analysis perspective the contours of recent Latin-American development over two decades of capitalism and neoliberal globalization – to establish and briefly describe the context for recent and current developments in Latin American politics.

This perspective can be differentiated from at least three others. One of these views and explains the historic process of capitalist development as a natural process that unfolds with the inexorable force and immutable laws of social development to which the only possible response is economic (and political) adjustment.[1] This is implicitly the approach of the economists behind the World Bank's latest *World Development Report* in their conception of 'pathways out of poverty' as forms of economic adjustment to the forces of productive and social transformation associated with what agrarian economists have long conceptualized as the 'agrarian question'. It is also the approach taken by the economists and sociologists who over the years have theorized and written endlessly of the 'disappearance of the peasantry' as the result of forces of change embedded in a long-term process of capitalist development, industrialization and modernization, viewing the peasantry as a spent force, defeated by forces over which they had no control and unable to resist.[2]

In contrast, class analysis presupposes the possibility and indeed necessity of a subjective political response to these forces in the form of resistance: to resist rather than adjust to the forces of structural change – to respond to the objectivity of these conditions with political agency, to act and bring about change under available conditions in specific contexts.

As much as it differs from this objectivistic and 'structural' approach in its many permutations and meta-theories (modernization, industrialization, capitalist development) class analysis also differs from forms of subjectivist analysis and social constructivist approaches to social change that underestimate, or otherwise dissolve in thought or ignore the objectivity of conditions created by the forces of change – or, as idealists generally, to 'transcend' these conditions in thought,

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1 This approach, also taken by some Marxists who take what we might define as an 'over-deterministic' structuralist interpretation of Marx's so-called 'laws of capitalist development,' is rejected by Gandarilla Salgado (2003) in his critique of the neoliberal conservative paradigm and globalization conceived by so many as an immutable process.

2 For a critique of this approach see Petras and Veltmeyer (2001).

resolving actually existing contradictions by reflecting on them, subjecting them to the light of reason or philosophical 'praxis'.[3] Marxist class analysis differs from the positivistic approach of economists who take the inexorability of a process as given and those, on the other side of the intellectual and methodological divide, who see this development in terms of the unfolding of ideas that people act upon to make real. It also differs from a postmodernist or postdevelopment approach based on a poststructuralist epistemology – the notion that the structures that delimit action or determine outcomes are not material but mental constructs embedded in discourse rather than the real world, that they can be superseded through discourse deconstruction.[4]

Class analysis involves neither a positivistic (purely-structural) or dialectical (idealist) form of analysis but rather a materialist analysis of the dynamics of capitalist development that takes into account both the objectively given, the structural forces of productive and social transformation, and the subjective or politically determined response to these conditions, a dialectical interplay of the objective and subjective, in particular conjunctures and over time.

This form of analysis was once common enough. Indeed it dominated analysis in the 1960s and 1970s, even in the 1980s until it succumbed to a poststructuralist attack on all sorts of structuralisms (Veltmeyer, 2002). Many on the left in Latin America and elsewhere abandoned class analysis, ironically just as the class dynamics of capitalist development and US imperialism were becoming increasingly transparent, exposed without its ideological cover and obfuscating myths.

In any case, developments over the past two decades have brought about a need to reconstitute class analysis. In this new context it has three aspects that need to be combined in practice. One is a structural political economy analysis of the

3 This is characteristic of the not so new 'radical militancy' of the 'autonomists' or 'situationists' and their postmodern associates at the University of Buenos Aires (Colectivo Situaciones, 2001, 2002). This approach (see also Besayag and Sztulwark, 2000) characterizes both the classic or Hegelian idealism of those who believe in the power of ideas, the ability of enlightened or theoretically informed individuals to act on them to bring them about – on the dialectical workings of ideas, abstract universals such as freedom and democracy that will eventually vanquish its enemies – if not in the materialization of the Prussian state then, close to two centuries later, in the new world order of neoliberal globalization. A classic example of this is Fukuyama's analysis of the advent of the neoliberal world order and liberal democracy as the 'end of history' (1989, 1992). It also applies to other contemporary forms of idealism such as poststructuralism and postdevelopment, predicated on discourse analysis, different ways of representing the world in thought rather than changing the real world in terms of its actually existing objective and subjective conditions (Veltmeyer, 2000, 2002).

4 Exponents of this approach include Arturo Escobar and other postdevelopmentalists, Ernesto Laclau and other such self-defined post-Marxists like Ernesto Laclau, and the theorists of the vaunted 'new social movements' that materialized in the 1980s only to subsequently and soon disappear. For a critique of this approach see, inter alia, Brass (1991) and Veltmeyer (1997).

forces and conditions generated in the process of capitalist development in its most recent form (neoliberal globalization). Another is a strategic analysis of the actions taken in response to this development. The problem here is to determine precisely the weight of the objective and the subjective, the structural and the strategic, in determining outcomes. The third feature of a reconstituted class analysis is based on the need for concreteness in analysis – to analyse conditions in their specific context and in the conjuncture of specific situations: a concrete analysis of concrete 'situations' that takes into account both the structural or objective (economic), the strategic or subjective (political) and the contextual or conjectural.

This chapter will apply this analysis in the new Latin American context, with reference to four particular questions: (i) What is the nature of capitalism in the most recent or current (neoliberal) phase of its development? (ii) What has been the dominant response of the rural poor to the forces of change and the conditions of their poverty? (iii) What is the meaning of regime change in the new context: welfare populism, socialism of the 21st century or pragmatic neoliberalism? And (iv) What are the prospects for socialist development in the beginning of the 21st century?

As for the conditions that gave rise to these questions, their historical context as it were, it too has four constituent elements: (i) a realignment in the structure of world trade brought about by the primarization of exports; (ii) the response of the architects and guardians of the 'new world order' to the apparent crisis of neoliberalism – in the form of a Post-Washington Consensus (PWC) on correct macroeconomic policy; (iii) alternative pathways out of rural poverty provided by farming, labour and migration – and a more overtly political pathway in the form of organized collective resistance; and (iv) the weakened capacity of the US state to exert power and dictate policy, relieving some of the pressures on the regimes in the region and opening up opportunities for independent action and for charting a new course for national development.

Contemporary Capitalism – Development, Globalization or Imperialism?

The idea of development – or, as Escobar and Alvarez (1992) and Tucker (1999) among others have noted, the project of 'international cooperation' for development – was invented as a means of ensuring that countries in the south that were recently liberated or in the process of liberating themselves from European colonialism could resist the lure of communism and pursue a capitalist path towards national development. In the same context, the idea of development was trotted out and acted upon as a means of preventing another 'Cuba' – turning the rural poor in Latin America away from social revolution and toward reform, to have the poor appreciate the virtues of capitalism (the free market) and democracy (free elections).

And in the 1980s, in the vortex of a new (neoliberal) world order, the idea of development was once again called upon and acted upon, to help consummate a

marriage of convenience (and strategic import) between capitalism and democracy (Dominguez and Lowenthal, 1996; Rueschmeyer and Stephens, 1992). Once again the nongovernmental organizations (NGOs) of 'civil society' (in its middle class sector) that were called upon and enlisted as an agency for this development. In the 1960s it was to defuse the fires of revolutionary ferment in the Latin American countryside. But this time the call came in the form of a strategic partnership with the World Bank and allied institutions in the global war on poverty and in the context of a new world order in which the forces of economic and political freedom were liberated from the regulatory constraints of the welfare and developmental state (Veltmeyer and Petras, 2005).

The transformation of developmental state into a neoliberal one was effected in the context and under conditions of a global class war (Davis, 1884; Crouch and Pizzorno, 1978; Faux, 2005), as well as a fiscal crisis and a debt crisis, the latter engineered as a mechanism for ensuring a smooth transition into the new world order. The discovered means of this 'integration' into a restructured world economy was a programme of market-friendly 'reforms' in macroeconomic policy designed to adjust economies and societies across the world to the requirements of this new world order: *privatization*, reverting the development state's policy of nationalization; *liberalization*, reverting the protectionist policies of this state; *deregulation* of private economic activity and markets, to create thereby conditions for a more participatory form of development and politics (good governance) inclusive of civil society. These policies were justified theoretically and legitimated politically by reference to 'globalization', presented, and sold not as an ideology or doctrine but as a 'process' that is not only irresistible but desirable (see the World Bank's 1995 *World Development Report* on this, a veritable 'capitalist manifesto' on globalization).

Globalization here was understood, or at least presented, as a 'development' strategy, a policy means of inducing economic growth and bringing about an associated improvement in well-being – not only as the best but the *only* path to general prosperity (World Bank, 1995).

The dynamics of this 'process' (neoliberal policy reforms in the name of globalization) have unfolded (as it were) over close to three decades, in the form of three cycles of neoliberal policies (Petras and Veltmeyer, 2007). First, in the 1970s within the institutional framework of an authoritarian state – a military dictatorship to be precise (in Chile, Argentina, Uruguay) not to put too fine a point on what US political scientists preferred to label 'bureaucratic authoritarianism'). Second, in the 1980s under conditions of a regionwide debt crisis and in the context of a redemocratization process – the return of civilian rule of law and the strengthening of civil society – and a Washington Consensus on correct macroeconomic policy; and third, in the 1990s context of a Post-Washington Consensus on the need for a better balance between the state and the market, a new social policy and a decentralized form of governance and development (Ocampo, 2006).

The transformation process and its diverse dynamics brought about by policies of neoliberal globalization have been subject to a deluge of academic studies

conducted from a variety of theoretical and political perspectives. However, we would argue that the most powerful of these perspectives, in terms of being able to explain the actual class dynamics associated with the development process, is based on the notion of development and globalization as imperialism. In fact, there are numerous permutations of this idea in the Latin American development literature (see, for example, Saxe-Fernandez, et al., 2001).

From the perspective of this idea, applied in a class analysis of the capitalist development process, the strategy of integrated rural development and the project of international cooperation for development was designed as a means of ensuring the passivity or accommodation of the rural poor, to have them turn towards reform rather than revolution (the social movement strategy of resistance and social mobilization). The agency and agents of this project – the foot soldiers of US imperialism we could well argue – were the private voluntary associations (NGOs) contracted by USAID, and the priests enlisted by the Vatican in its complementary 'Catholic Action'. The aim and effect of the resulting 'rural development' effort was to create favourable conditions for the penetration and expansion of US capital. In this context, it is possible to view 'development' as the soft arm of US imperialism, the counterpart to the repressive apparatus of the local client state, called into action when and where warranted. Opportunities for the direct intervention or the projection of force by the imperial power were rather limited. Except for central America, imperial power against the forces of subversion or recalcitrant states was generally exerted indirectly as in the southern cone of south America by the use of local armed forces financed, trained and brought together by Washington under its national security doctrine.

In the 1980s conditions for US imperialism were more favourable and much improved thanks to 'structural adjustment'. Structural adjustment policies, justified and legitimated by the idea of globalization, paved the way for the penetration of US and EU capital. By the end of the decade all but four regimes in the region had gone neoliberal and opened up the economy to foreign capital, and in the 1990s three of these regimes – Argentina, Brazil, Peru – followed suit.

Saxe Fernandez (2002) has estimated that over the course of this capitalist development process in just ten years the US redoubts of foreign capital were able to appropriate and transfer out of the region no less than $100 billion in the form of debt payment, royalty fees, dividends and repatriated profit. For an analysis of the class dynamics of this capital accumulation process see Petras and Veltmeyer (2007). In Mexico virtually the entire banking sector was turned over to foreign enterprises and, as in other strategic sectors and the commanding heights of economies in the region, denationalized (Saxe-Fernandez, 2002).

Notwithstanding the diverse and concerted efforts to move beyond the Washington Consensus by giving the process a human face – a new social policy, a new development model or paradigm based oriented towards social inclusion and sustainable human development, participatory local development and good

governance[5] – the third decade of neoliberal policy reform (the 1990s) was characterized by sluggish growth, increasing social inequalities to the extreme of obscene wealth (sprouting of billionaires) and obscene poverty (immiseration and social exclusion). By many if not all accounts the dynamics of this process implied the relative failure of neoliberal globalization as development but a clear success from the optics of imperialism.

What characterized capitalist development over the past three decades in the region is what Karl Polanyi conceived of as a 'double movement' in a 'great transformation': widespread and diverse forms of resistance to this development – to the dynamics of neoliberal globalization, capitalism and US imperialism. The force of this resistance, together with the weight of capitalist contradictory, put neoliberalism on the defensive – a series of concerted efforts to move away from it if not beyond it.

The Great Transformation, the Agrarian Question and the 'Double Movement'

Studies of the 'great transformation' from a traditional, pre-capitalist and agrarian system to one that is capitalist, modern and industrial have always focused on the 'agrarian question', with reference here to a process of productive transformation and associated social transformation of the peasantry (the direct agricultural producer) into a proletariat available for hire by capital. This is implicitly the approach to long-term change taken by the economists behind the World Bank's 2008 *World Development Report* (on 'agriculture and development') vis-à-vis the theme and its conception of 'pathways out of poverty' as forms of (economic) adjustment to the forces of productive and social transformation associated with what many agrarian economists have conceptualized as the 'agrarian question'.

As Kay (2000) among other have pointed out, the 'agrarian question' of capitalist development today assumes different forms than it had in previous decades. At the centre we can still observe a process of economic concentration in the size and number of landholdings; a process of agricultural modernization

5 The Post-Washington Consensus (PWC) achieved over the course of the 1990s took diverse forms but has seven basic features: (i) a 'more inclusive neoliberalism' based on a 'new social policy that targets the poor and 'local institutions for poverty alleviation'; (ii) 'a decentred but capable state' with a 'joined-up decentralized governance' (Craig and Porter, 2006); (iii) a new development paradigm based on decentralized governance, social capital and local development (Atria, 2004); (iv) a call for a 'more balance between the state and the market' (Ocampo, 2007); (v) the institution of a 'social democratic regime' capable of 'reconciling … growth through globalized markets with extensions of political, social and economic rights' (Sandbrook, Edelman, Heller and Teichman, 2007); and (vi) an overarching Comprehensive Development Framework (CDF), and, within this framework, construction of a new policy tool – the Poverty Reduction Strategy Paper (PRSP) – introduced to the 'development community' in 1999 at the G8 Summit.

in terms of technology and capitalism; and an associated process of social differentiation, with some peasants converted into medium-sized landholders and family farmers but the vast majority converted into a rural proletariat, an urban lumpenproletariat of informal workers, or, in many cases – over half of all rural peasant producers – into a semi-proletariat, forced to combine a relation of direct agricultural production with some form of wage-labour. Of course, the economists at the World Bank conceive of this process not in class terms but as an economic adjustment to the inexorable forces of change – modernization, industrialization and capitalist development.

When viewed through the lens of class analysis, however, the dynamics of social change assume a very different more political form. From the perspective of the World Bank in its 2008 *World Development Report* agrarian capitalist development on the periphery of the world economy – in the urbanizing and industrializing countries of the global south as well as the more backward areas where the force of an agrarian tradition still prevails – is bringing about forces of change to which the only possible response is to adjust and adapt. Not that the trend is absolutely clear or that the rural poor have no options. They do. In fact, the rural poor – most of them landless or near-landless traditional 'peasants' or small-scale agricultural producers with no access to modern technology or the market – according to the World Bank have three 'pathways out of poverty' open to them: *labour*, *migration* and *farming*.

The last is clearly beyond the means of most of the rural poor in that farming today requires modern technology and large inputs of capital as well as an entirely different relationship to the land and production as a form of livelihood. With these requirements and under current conditions peasant or small-scale agriculture based on direct labour and traditional technology is simply not viable.

This leaves the rural poor but two options or pathways that are often combined in practice, and neither without pitfalls; to migrate or search for wage-labour as a means of securing household income (the resort to wage-labour as a form of livelihood). The statistics collected in the report are both eloquent and definitive. They point towards a clear trend towards rapid an continuing urbanization (and a capitalist form of organizing production) – towards 'poverty reduction' in the form of peasants breaking with tradition, abandoning agriculture and migrating to the cities and beyond, in the search for education, employment and better opportunities for their children if not themselves. This is the lesson of history, encapsulated in the topic of so many academic debates and the title of several recent and not-so-recent academic studies: 'the disappearance of the peasantry' (Bryceson, Kay and Mooi, 2000; Otero, 1999).

There are several problems with this scenario, painted by all too many academics and policy-makers persuaded by the irresistible force of capitalist development and modernization. One is that it ignores the complex dynamics of class formation in the countryside characterized by, above all other developments, the semi-proletarianization of the vast majority of the so-called 'peasantry'. Another is that many of the rural poor, both in Latin America and elsewhere, refuse to lie down

and die – or migrate. Many of them do not choose the path of least resistance – the World Bank's 'pathways out of poverty'. Many choose to resist rather than adjust to the forces of capitalist development – to respond to these forces not as an economic adjustment but in an overt political form: to join the social movement, to mobilize thereby the forces of resistance and opposition to neoliberalism, the neoliberal state, neoliberal policies. This in fact was the dominant and most consequential form taken by the left in the 1990s.

In connection to this organized resistance to neoliberalism it is possible in Latin America over the past two decades to identify three waves of social movements, each in response to a specific cycle of neoliberal policies, each rooted in the popular sector of what a new generation of political scientists and development theorists choose to term 'civil society' (Veltmeyer, 2007).[6]

The first cycle of neoliberal 'reforms' in national policy was instituted by the 'Chicago Boys' appointed by Augusto Pinochet to turn the ship of state back from Allende's socialist reforms, and concomitantly to prosecute his war against 'subversives' – supporters of the workers and peasants in their defensive class struggle against capital and the latifundistas. Chile was but one of numerous theatres in the global class war waged between capital and labour.[7]

The detritus of this class today is everywhere in evidence with a profound restructuring of the working class (removed or pushed out of their factories and offices into the streets); the drastic reduction in the share of labour (wages) in national income (in many cases greater than 50 percent); and, most significantly, the dramatic weakening of organized labour, viz. its capacity to mobilize the forces of resistance against capitalism, neoliberal globalization and imperialism. In the context of a system-wide production crisis and an emerging fiscal crisis used to mobilize opposition to the welfare-development state, the client-states of US imperialism in the region redoubled their efforts to demobilize and decapitate the rural peasant-based social movements in their land struggle, and to disarticulate the organized labour movement.

There were two major dimensions to this class war. One was a programme of structural and policy reforms that Ronald McKinnon and other economists at the

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6 On the various uses and misuses of this term 'civil society' and its political significance, see Veltmeyer (2007).

7 This war could be dated back to 1968, the last great offensive of labour in its long battle against capital for higher wages and better working conditions. By 1973, both in Europe and Latin America under conditions of crisis and a major 'profit crunch', capital launched a counter-offensive, initiating what Crouch and Pizzarno (1978) and others correctly conceived as a class war and counter-revolution in development theory and practice. Pinochet assumed the responsibility for halting and reversing the progress and gains mad by the working class under the welfare-development and post-colonial state. It would seem that on a global scale, in diverse theatres, labour has lost most of the major battles in this class war ever since. However, an accounting of this war still awaits a labour historian. For some reason except for Faux (2006) the class war between capital and labour has not been viewed as such, obfuscated as it has been by seemingly different issues.

World Bank at the time regarded as the 'most sweeping … in history', initiating what in retrospect would be seen as a counter-revolution, the opening moves of a new world order in which the forces of 'freedom and democracy' would be liberated from the constraints of the welfare-development state. The other side of this war involved a mobilization of the repressive apparatus of the Latin American state under Washington's 'national security doctrine'. As it turned out, Augusto Pinochet also played a leading role in this theatre of the 'dirty war' waged by capital against labour and subversives (the left, that is).

In the 1980s, in a very different context – that of an emerging new world order brought about by an arranged marriage between capitalism and democracy, and facilitated by a neoliberal programme of 'structural reform' and 'good governance', the class struggle in the region shifted from the countryside to the urban centres. The urban poor took on in a series of unorchestrated or spontaneous 'protests' the remnants of the 'authoritarian state' and the 'structural adjustment program' of the IMF and the World Bank. But the attention of academics and policy-makers was not on this class response but on elements of various 'new' urban-centred social movements emerging in the middle class sector of 'civil society'. While most academics were so distracted – and, it has to be said, confused – by these 'new social movements', the working class (in some contexts anyway) began to reorganize, and in the case of Brazil even setting up a political party (the Worker's party – PT) to advance its political interests. As for the land struggle, state-assisted land reform programmes were abandoned, the state having successfully brought to heel the insurgency, having defeated almost everywhere (except in Colombia) the peasant-based social movements through a combination of tactics ranging from international cooperation for local development to limited land reform and outright repression.

In the 1990s, in a context of growing disenchantment with neoliberalism and a wide-ranging search for alternative more sustainable forms of development, there emerged a new wave of social movements, again peasant-based but this time also peasant-led (Petras, 1997). These movements were overtly political as well as social in form, and at the time represented the most dynamic forces of resistance to the neoliberal state and its policies. The working class, having borne the brunt of the neoliberal offensive, was everywhere in disarray, with little evident capacity to organize independently from the government, which in many instances had co-opted the leadership, tying it to a series of tripartite or corporatist arrangements. Argentina and Mexico were classic exemplars of this development.

By mid-decade, the rural movements based on the landless or near-landless proletarianized peasantry and, in some contexts (Chiapas, Bolivia, Ecuador, Paraguay …), the struggle of the rural poor, the indigenous communities and peasant organizations, was taken to the cities in a series of organizational links to the urban-centred and middle class 'civil society'. In this context, the indigenous and peasant social movements also began to diversify its strategy for social change, adding to its repertoire of social mobilization a political instrument to contest local and national elections, and active participation in the efforts of the international

development 'associations' to institute a decentralized and more participatory form of development and politics – a new paradigm of local and 'sustainable human development' and 'good governance', in official parlance (UNDP, 1997; World Bank, 1994).

Towards the end of the decade and into the new millennium, in the context of an evident decline of neoliberalism, the forces of resistance – which, with the exception of Argentina, where the urban unemployed essayed a new venture in the history of class struggle – were largely rooted in the countryside, sometimes combined but more often divided in their strategic approach towards social change.

Essentially, the rural poor, at the base of the resistance, were politically divided. Many of the rural poor were indeed constrained, or led, to adjust to rather than resist the forces of change released in the process of capitalist development. They could be found taking one or the other of the World Bank's pathways out of rural poverty. However, as many were disposed to resist the forces of capitalist development and to change the system rather than their location, the source and form of their livelihood, or themselves. These elements of the rural poor were – and are – confronted with the political option of democratic electoral politics geared to 'market-assisted' land reform and local development, or social mobilization in the form of social movements (Petras and Veltmeyer, 2005).

In an earlier context (the 1960s) this option was expressed in the formula *reform or revolution*. But in the current context the option appeared as a threefold divide in the road to social change: (i) to rely on the 'electoral mechanism' – to participate in the democratic process of regime change (the parliamentary road); (ii) to turn towards the social movements – to mobilize the forces of resistance against the state and its policies (the revolutionary road); or (iii) to resort to local development based on the accumulation of 'social capital', the 'new development paradigm',[8] the Post-Washington Consensus, and what might be termed the 'no-power' road to social change (Holloway, 2002). The academics and policymakers advocating this road to social change saw and advertised the possibility that 'the world can be changed without taking [state] power'.[9]

The class dynamics of struggle associated with these three roads to social change – two paved with state power, one with the new 'radical militancy' of no-power politics – point to and suggest the need to take a closer look at political developments in the region. By all accounts, or at least our own (Petras and Veltmeyer, 2005), what is missing is a reconstituted form of class analysis of these dynamics – a historical materialist approach to understanding their political implications.

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8 On the 'new paradigm' see inter alia Atria, et al. (2004).

9 'How then do we change the world without taking power? At the end of the book, as at the beginning, we do not know … We ask not only because we do not know the way (we do not), but also because asking the way is part of the revolutionary process itself' (Holloway, 2002: 215).

Neoliberal Decline and Regime Change: Pragmatic Neoliberalism, Welfare or Radical Populism, or Socialism?

In recent years a number of regimes in Latin America have turned away from neoliberalism towards what many on both the left and the right take to be radical populism or socialism in one form or the other. But this perspective appears to be based more on an analysis of discourse and regime rhetoric than a class analysis of actual political practice. Notwithstanding the nationalist or socialist discourse that has surrounded this practice, none of these regimes, including the most radical in terms of an apparent commitment to socialism – the Chávez regime in Venezuela, for example – have even delivered what could be seen as a populist welfare programme.

To some extent this can be interpreted as the outcome of the correlation of class forces in each country – a correlation that supports or obliges a politics of renationalization (to revert the privatization agenda of the neoliberal state) without providing the space or conditions for a substantive political move on the 'social question'. The argument advanced on this point is that the combination of external and internal class pressures on these regimes is such as to preclude any room for political manoeuvre, forcing the government to tread a narrow path of public policy. On the other hand, the limited class analysis that has been conducted on these issues suggests otherwise – that the actions taken and policies implemented to date reflect a lack of commitment to socialism as understood by most Marxists, as well as the lack of an organized class base for a radical change.

This point regarding the Bolivarian Revolution in Venezuela is admittedly debateable, although no one disputes the lack of an effectively organized class base for a socialist politics in Venezuela (see Chapter 7 for a discussion on this issue) or that the socialist project is pushed 'from above' as it were – a 'top down' political project that suffers from the well-established limitations and contradictory impulses of radical or welfare populism.

But there is no such ambiguity regarding Bolivia under Morales and García Lineres. Over two years in power the regime has yet to make a substantive move in the direction of providing any practical benefits to the masses of the urban and rural indigenous poor at the base of the popular movement. Despite the rhetoric of an agrarian revolution announced on 2 August 2006 with fanfare to the leaders of the agrarian sector of the movement to date the amount of redistributed land or land reform measures is negligible.[10]

10 In this agrarian sector just under 90 percent of Bolivia's productive terrain in the eastern lowlands is worked by just 5,000 families, leaving hundreds of thousands with little to no land. The government announced plan in this connection was to institute a new agrarian reform law that would expropriate idle lands, 'return[ing] them to the Bolivian people', But Rather than expropriating land that the government itself recognizes to be in the hands of 'political interests and powerful families' well represented in congress, it turns

As for the demands of organized labour, the response of the government to the demands, pressed in particular by organized workers in the public sector of health and education, has been to award a miserly increase of 13.6 percent in the minimum wage (after announcing the intention to raise it by 136 percent) and a 5.4 percent increase in pension income. As for public sector workers in health and education, the government announced a 'historic' increase of seven percent. Rather than improving wages for low-paid public sector workers or doubling the minimum wage as promised, the Morales–García Lineres government continued its predecessor's orthodox fiscal policies and its emphasis on balancing the budget with tight limits on public investment in social and substantive anti-poverty programmes.

In regard to the Bolivian government's vaunted and much-publicised re-nationalization policy it has only been implemented in the sector of hydrocarbon-based fossil fuels (oil and gas) and only where the popular movement allowed for nothing less. Even so, a year and more after the public announcement of a policy of reasserting public ownership over the natural resources in this sector, de facto control over production and sale of oil and gas remains with the multinationals.[11]

In other sectors such as iron ore, where there is or has been no social mobilization the government has signed off on a deal with one of the largest multinationals in the world, a deal that bears resemblance to the contract written by the preceding neoliberal regime. The only class that has substantively benefited from the regime's policies are the potential investors in the country's hydrocarbon resource and economic development. In this connection, the major concern of the regime to date has been to reassure investors.[12] Virtually all of the increased revenues from the proceeds of the exports of oil and gas have been used to balance the national account or channelled into the government's reserve account, in the interest it has to be said of the capitalist class within and outside the country.

Supporters of the regime point to the agreements reached with the governments of Cuba and Venezuela, and the class pressures from within the country arising

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out that much of the land targeted for reform belongs to the state requiring colonization but little change in the social structure of land ownership.

11 In May 2007 the government renewed contracts with 40 oil companies on the basis of a 50 percent joint venture or 'partnership' arrangement. Here the government announced that 'we do not need bosses; we need partners'. A closer look at the government's 'nationalization' of oil and gas policy is little more than a tax increase on the rate paid by the multinationals to the state – hardly a revolutionary change. Not a single corporation has been expropriated (except for 'fundición de vinto', which ended up with De Lozada's COMSUR). Even the price of gas of US$5 per million cubic feet to Argentina was 40 percent below the world price – and Brazil's payment, one year after 'nationalization' was still the same: US$4 (in some instances as low as US$1.9).

12 After fifteen months in office (March 2007) the government announced that the country's international reserves totalled US$3.7 billion, a record figure, which the president of the Central Bank noted 'transmitted greater confidence in the stability of the country's financial system'.

from the agro-export bourgeoisie and political class in the lowlands of Santa Cruz, Tarija, Beni and Pando – areas of major class opposition to the regime, to argue that the regime is doing what it can, biding its time for a more favourable conjuncture of objective and subjective conditions. However, it could be argued that the conjuncture could hardly be more favourable for a socialist politics – for moving away from the neoliberal policies of the previous regime.

Apart from the widespread and easily mobilized unrest in diverse social sectors, the significant rise in the world market price for oil and gas has resulted in a substantial growth in the country's reserves – up to a record figure of US$3.7 billion in March 2007 by the government's accounting. In themselves these reserves are sufficient to fuel a popular or socialist programme of substantial benefit to the urban working class in its multitudinous new forms and the rural indigenous semiproletarianized 'peasantry'. Rather than allocating windfall revenues in this way, the regime has decided to curry favour with investors, who by all accounts are not even placing any direct political pressures on the regime.

The reason for the pragmatic neoliberalism practised by the regime is unclear. There is certainly a domestic class war in the works, forcing constraints on regime politics – concessions on the politics of the Constitutional Assembly, for example. On the other hand, windfall revenues from the primary resources and commodities boom have given the regime sufficient resources to capitalize an extensive programme of anti-poverty and social development measures. Nor has the regime sought to exploit the considerable political capital generated in the process of popular struggle in the new millennium. Most of this political capital has been accumulated in the indigenous communities at the base of the popular movement. It would be relatively easy for the regime to mobilize this capital but for some reason it has chosen not to do so. In fact the regime's politics vis-à-vis the social base of the popular movement as well as its electoral support can at best be described as populist and manipulative, not in the least responsive to the demands of the working class or the semi-proletarianized indigenous peasants that make up most of the rural poor.[13]

The answer to these and other questions raised by actions and policies of the Morales–García regime require a much closer class analysis of the forces at work

13 A revealing footnote on this point is provided by Webber (2006) in a review of an interview with Raquel Gutiérrez, a Mexican with an intimate connection with Bolivian popular movements and an eloquent defender of 'autonomismo' in the Bolivian context. Gutiérrez moved to Bolivia in the mid-1980s and became a leading figure in the indigenist/Marxist guerrilla group, *Ejército Guerrillero Túpaj Katari* (EGTK), alongside García Linera and leading Recently she returned to Bolivia and commented on the character of the current conjuncture in a revealing interview with Verónica Gago, which Webber reviews to the point that 'the MAS government is not taking the social movements, responsible for Morales' rise to electoral power, into consideration as serious interlocutors but rather is subordinating them to the interests of the party, or, when this is impossible, trying to isolate and weaken them. Fundamentally, there is a closing off of autonomous space for the continuing development of popular power from below'.

(see Chapter 5). In this analysis, the question of ideology that is used to inform and direct action is one of several factors. On the question of socialism in particular, an analysis of the theoretical and political discourse of García Lineres (2004, 2006), the Vice-President and Morales' link to the urban mestizo middle class, is ambiguous to say the least, and confusing to say more.[14] But Morales himself has left no room for misinterpretation. Socialism as he understands and constructs it, as per the regime's 'political practice', is 'communalism',[15] which, rooted as it is in the country's indigenous culture, is much closer to the utopian socialism of Proudhon than Marx's scientific socialism.

The Social Dynamics of Government Expenditures in a Period of Economic Growth

The primary commodity boom of recent years has fuelled a process of economic growth in parts of the global south and nowhere more so than in parts of Latin America.[16] As to what groups and classes have benefited from this growth in the countries affected – the pattern of social distribution – is a structural issue (*re* the relative share of the public and private sectors in the production of the GDP) and it is a political issue *re* the disposition of public sector fiscal financial resources – the way and the conditions under which these resources are allocated.

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14 In an interview with *La Prensa*, 21 December 2005, García Lineres (AGL) was asked: Doesn't MAS want a socialist government? His response: 'No, no way, because … it's not viable. It's not viable because socialism can only be built on the base of a strong, organized proletarian presence. The socialist utopia is the extreme maturation of capitalism. In Bolivia there's no capitalism. In Bolivia 70 percent of the urban workers work in the family economy, you don't build socialism on the base of a family economy; you build it on the bases of industry, which there's none of in Bolivia. You don't build socialism on the basis of the 95 percent of rural population living on a traditional communitarian economy.' *LP: What kind of system, then, does MAS want to build? AGL*: 'A type of Andean Capitalism … a capitalist regime where family, indigenous and peasant potentials are balanced and are articulated around a national development project and productive modernization. If you want to build the future, what is the model for Bolivia? A strong state and that is capitalism; the state is not socialism, it's a strong State in hydrocarbons, foreign investment, local private investment, the family economy and small businesses and communitarian economy. It's not even a mixed system'.

15 In an interview with *Punto Final* (May 2003, 16-17) Evo Morales, leader of the major political force on Bolivia's left, the *Movimiento al Socialismo-Instrumento Político para la Soberanía de los Pueblos* (MAS-IPSP), defined socialism in terms of 'communitarianism.' This is, he notes, because 'in the ayllu (the principal aymara territorial unit) people live in community, with values such as solidarity and reciprocity.' 'This,' he added, 'is our (political) practice.'

16 Alier and Clements (2007) estimate that commodity-based revenues in Latin America rose by an average of about 4¾ percentage points of GDP between 2002 and 2006, and that most of this growth was due to the 'terms of trade factor'.

As for the structural issue, a critical factor was the wave of privatizations in the 1980s and the 1980s, which, in the not atypical case of Bolivia, 'was aimed at redefining the role of the state in order to provide an environment more conducive to private sector led growth', and meant the 'divestiture of public enterprises, which shrank their participation in the economy from 25 percent of GDP in 1995 to 8 percent in 1998 and is expected to be less than 2 percent by the end of 1999' (World Bank, 1999: i).

With this 'structural adjustment' – and other countries in the region (especially Mexico and in South America, Argentina, Brazil and Chile) shared this experience[17] – the economy in the new millennium is indeed driven and led by the private sector, which also means that leading elements of this sector (the multinationals and the agribusiness oligarchy) have appropriated most of the revenue gains of economic growth in the form of profit. Governments in the region nevertheless have been able to share in these gains by means of added taxes and duties levied on the exports of strategic resources, using state enterprises and public ownership to collect resource rents and collecting additional resource rents from the corporations exploiting these resources.

The public sector's contribution to GDP includes and reflects these revenues as well as taxes levied on domestic production and assets, borrowings from the banks or diverse sources of international financing. On average, this contribution (a measure of the size of the state in the economy) for Latin America is around 13 percent, ranging from a high of 18.5 percent in Chile (only 10 percent in 1990) and 18.1 percent in Bolivia to a low of 10.9 percent in Brazil (World Bank, 2008: Table 6).

The first and most salient feature of the contribution of the state based on investments and expenditures of fiscal resources is that the high economic growth rates of recent years seem to have had only a marginal effect on this contribution, further evidence that private sector activity not only led this growth but consumed most of the income benefits. Of course, the absence of any significant change in the level of fiscal resources vis-à-vis the GDP from 2000 to 2008 could – and probably does – also reflect a relative decline in the contribution of other sectors and external financing to government revenues. This is difficult to determine without another 'public expenditure review' (the last was conducted in 1999). But in the case of Argentina it is clear enough. The government has managed to capture a larger volume of fiscal revenues from the higher than normal prices for its commodity exports by increasing duties on these exports. As for Bolivia and Chile they created new taxes as a way of increasing the amount of revenue raised from their nonrenewable resources.

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17 On the privatization of state enterprises in Latin America, and its connection to FDI and the subsequent 'denationalization' of the most lucrative enterprises in the key sectors of the economy see, inter alia, Petras and Veltmeyer (2002) and Saxe-Fernandez (2002).

Through a combination of these policy mechanisms the share of the state in such revenues in Bolivia, Chile, Colombia and Mexico rose, respectively, from an average of 27.8 percent, 7.6 percent, 9.9 percent and 29.4 percent in the 1990s to 34.8 percent, 20 percent, 14.2 percent and 37.5 percent in 2006-2007. In Venezuela the government's share of commodity-derived financial resources remained at a level close to but below levels in the previous decade (56.4 percent vs. 59.6 percent) while in Ecuador it fell from 32.1 percent to 25.5 percent. Regionwide, public sector revenues derived from exported commodities in the 'commodity producing' countries is estimated by the IMF (2008) to be 4.5 percent of GDP in 2002, rising to 6.0 percent in 2003 and 6.5 percent in 2004, 8.1 percent in 2005 and 9.8 percent in 1996, levelling off at 9.0 percent in 2007. By these estimates, governments in the region, as well the 'private sector', derived considerable revenue benefits from the primary commodity boom.

These 'facts' are revealing enough of the structure of public sector fiscal resources, at least for the countries classified by the IMF as 'commodity producers'. However, the most interesting 'facts' regarding fiscal resources do not have to do with their level (increasing) and source (export of primary commodities) but – on the other side of the ledger – the pattern and policy dynamics of public expenditures (the way these resources are spent and invested, and in particular their social distribution).

The Social Dynamics of Public Social Expenditures (PSE): Who Benefits from Economic Growth?

'In our view' – that of the IMF's Alier and Clements (September 2007)[18] – 'Latin America's main fiscal policy challenge is to address the region's immense social needs by creating the conditions for sustained and equitable output growth'. As for the policy mechanisms for creating these conditions, Alier and Clements, together with all of the other agents and agencies of 'international development' inevitably turn to the Post-Washington Consensus and its emphasis on (i) pro-growth' macroeconomic policies (stabilization and structural adjustment); (ii) the diverse measures designed to improve access of the 'hitherto excluded' to society's productive assets and 'opportunities' for self-advancement and prosperity; and (ii) the 'new social policy' targeted at the poor in the form of 'public social expenditures' (PSE) – public expenditures on social programmes (education, health, social security and assistance and housing). PSE in Latin America in 2004 accounted for about 13 percent (12.7) of total public expenditures – as opposed to 13.8 percent in sub-Sahara Africa, 8.4 percent in 'emerging Asia', 22.8 percent in Eastern Europe and Central Asia, and 32.6 percent in the OECD (Alier and Clements/IMF, 2007: Table 7).

18 This paper was prepared for the IMF and the Copenhagen Consensus for Latin America and the Caribbean – *Consulta de San José*, Costa Rica, 20-25 October 2007.

As for the volume and allocative structure of PSE a number of observations can be made. Firstly, they did generally increase by nearly 10 percent between 2002-2003 and 2004-2005 but this was not much more than the proportional increase in total revenues derived from export-led growth (ECLAC, 2007b: 23).[19] Also, this increase has levelled off since then at a per capita rate well below the latter half of the 1990s, when many governments in the region on the basis of the PWC increased the priority assigned to public social spending, implementing variations on Chile's poverty-alleviation programme. Latin America in this connection, according to Alier and Clements (2007), 'has demonstrated its capacity to develop efficient and well-targeted social assistance programs, such as *Bolsa Familia* in Brazil, *Oportunidades* in Mexico, and *Familias in Accion* in Colombia.' Yet spending on these and other social assistance programmes, for all their trumpeted or apparent 'successes', only reach about 1-1.5 percent of GDP – as Alier and Clements themselves note, represents but 'a modest share of total social spending'.

The years 1995-2001 saw an upward trend in the percentage of GDP allocated by governments for social expenditures and on a per capita basis. This trend peaked in 2005 and since has levelled off at a level closer to the early 1990s. In only one case (Venezuela) is per capita PSE greater today than it was in 2000 in the vortex of a widespread crisis and a zero growth.[20]

Secondly, There are enormous differences across countries in regard to PSE as a percentage of GDP: in Argentina it is around 19.4 percent, Bolivia 18.5 percent, Brazil 22.5 percent, Chile 13.1 percent, Cuba 28.7 percent, Ecuador 6.3 percent, Mexico 10.2 percent, Peru 8.9 percent and Venezuela 11.7 percent. The simple average for the region as a whole is around 13 percent. Per capita PSE is 15 times greater in the country that spends the most than in the country that spends the least. In all, 12 out of the 21 countries examined by ECLAC spend less than US$350 per capita a year, six spend between US$55 and only two have spent more than US$1,000 (Alier and Clements, 2007: 4).

Thirdly, PSE in theory is designed to counteract the propensity of private sector led growth towards increased social inequality in incomes ('primary' or market-generated 'distribution'). Also, in recent decades, public social policy has

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19 The countries whose fiscal revenues have risen the most are those whose terms of trade have improved the most. The 'terms of trade' factor is estimated to have added about 3.4 percent (more than half) to the GDP year by year. As a consequence of the region's high degree of specialization and the considerable share of total exports represented by commodities, the level of fiscal revenues is highly sensitive to export prices, especially in the case of exports by State enterprises.

20 Clements, Faircloth and Verhoeven (2007), in a discussion of the 'appropriate role of government spending in fostering economic growth', note that 'in more recent years, social spending has fallen slightly as a ratio of GDP, even though real outlays have risen'. Comprehensive data for 2005 or 2006, they add, are only available for five countries (Chile, Colombia, Mexico, Peru and Uruguay) and that on average, public spending in these countries has fallen as a percentage of GDP, as high economic growth has more than compensated for an increase in real outlays.

had to counteract the impact of state reforms that increased the level of private social service financing and delivery that is clearly of greater benefit to the higher-income sectors than the poor. However, it turns out that of all the countries studied in this regard, PSE is progressive (i.e. a significant portion reaches lower-income strata) in only three cases (ECLAC, 2007b: 26). In most cases, PSE actually provides more benefits to the richest quintile of households than the poorest.[21] Social spending has tended to become more progressive as the coverage of public services has expanded (particularly in education and health) but in general the rich have proportionately received more benefits from PSE than the poor, particularly as regards 'social security'. Even social assistance or welfare transfers, which are more generally 'progressive' add 9 percent to household income for the richest quintile of households (ECLAC, 2007b: 30).

Table 2.1 Latin America: Distribution of benefits from social spending, top and bottom quintiles (% share)

	Poorest quintile	Richest quintile
Education	20.2	20.4
Primary	29.0	7.9
Secondary	13.2	18.3
Tertiary	1.9	52.1
Health	20.6	17.6
Social security	5.6	51.2
Total social spending	15.0	30.4
Share of quintiles in primary income	3.6	56.4

Source: Alier and Clements (2007: 4-5) based on ECLAC (2006) data.

This somewhat surprising and perverse pattern in the social distribution of PSE – the richest quintile of households receive twice the share of social spending by the state than the poorest quintile – warrants a closer look and further comment. While PSE on education and health tends to spread benefits across the social spectrum, and, according to ECLAC, even favour high-income groups, social

21 On this point see the IMF as in Alier and Clements (2007: 4-5): 'Reallocating social spending to programs that most benefit the poor … [are] important for forging a more equitable society … [but] the distributive incidence of social spending varies greatly across programs, with primary education and social assistance programs having the most favourable impact, while higher education and social insurance programs tend to benefit middle and upper-income groups. Because of the low share of spending in pro-poor programs – such as social assistance – the majority of social spending benefits accrue to those that are relatively well off.'

welfare 'is becoming a pro-poor form of social expenditure'. However, even here, 25 percent of the benefits of PSE accrue to the richest quintile of households (?). In this context, ECLAC notes, public social spending 'does not have a significant redistributive effect in the sense of substantially reducing income concentration'. First, it only represents 19.4 percent of primary household income. Second, 'this resource is not allocated solely for the purposes of improving equity'. Indeed. Clearly not.

Of all the forms of social spending, that with the greatest impact on the primary income of the poorest groups is education, accounting for 40 percent of the transfers received by the lowest quintile (7.4 percent of total social spending). The next most important heading in this regard is health, followed by social assistance. Social security represents 59 percent of the public resources, the largest part of which is received by the higher income quintile.

What is most striking about PSE, however, is its regressive overall impact: 18.6 percent of PSE goes to the poorest quintile; 28 percent to the richest! (ECLAC, 2007b: 31). The poorest quintile receives 7.4 percent of PSE allocated to education (vs. 5.8 percent to the richest); 5.1 percent of health (vs. 3.7 percent); 3.3 percent of welfare (vs. 1.1 percent); but only 2 percent of the largest spending category – social security (vs. 16.5 percent).

To conclude, not only does PSE overall *not* have a 'significant redistributive effect', as noted by ECLAC; it is decidedly regressive, a fact that ECLAC for some reason does not make an issue of. One can hardly expect PSE to change the 'primary income distribution' (prior to state intervention in the economy) if it is not designed to do so – if the 'leakage' (into the households of the well-to-do and rich) is as serious as it clearly is, and fiscal resources are so poorly targeted on the poor.

Assessing the Social Impact of Public Social Expenditures (PSE)

For the years 1997-2007 a regressive secondary distribution of income has been and remains the general pattern for 18 of the countries in the region that account for most of the population. This pattern raises several questions about the policy dynamics of different regimes that warrant a closer look. First, (what effect, if any, has the primary commodities boom – and the additional fiscal resources that they represented – had on PSE? Second, what connection, if any, does the general pattern of public resource allocation have to regime type? That is, do centre-left regimes spend fiscal resources differently than the overtly neoliberal regimes? Third, is there a significantly different sectoral allocation of fiscal resources by regime type? That is, do centre-left regimes allocate proportionately more fiscal resources to social programmes designed to benefit lower income households? Finally, how do economic growth, regime type, the 'new social policy', PSP and the war on poverty – interconnect?

One difficulty in answering these questions is that the major source of statistics on them have been compiled by ECLAC, which has grouped countries not by

regime type but by level of per capita income/demographic transition, which cuts across a left-centre/centre-right regime typology. Furthermore ECLAC has averaged spending over ten years with very different growth patterns (1 percent in 1995-1999; below 0 percent in 2000-2002, and 5.5 percent as of 2003). Nevertheless, our review of the data and available studies allow us to come to two tentative conclusions.

First is that there is no systematic difference in PSE for the ostensibly centre-left regimes (Argentina, Bolivia, Brazil, Chile, Ecuador and Venezuela) and the more overtly neoliberal regimes (Colombia, Peru, Mexico). The only regime that stands out from the general pattern is Cuba, understandable enough in that the government continues to pursue a socialist national development path. Most of the regimes participating in the economic recovery and primary commodities boom (mainly exporters of metals, minerals and hydrocarbons), with the exception of Cuba, in the 1990s instituted variations of the 'new social policy' under the Post-Washington Consensus on the need for a more socially inclusive form of neoliberalism – 'productive transformation with equity' in ECLAC's original formulation.

Second, the additional fiscal resources derived from the primary commodities boom have not meant into any significant increase of social spending. In fact, the highest level of PSE, as a percentage of GDP, was in the late 1990s in the context of crisis and low growth. In the post-crisis/high growth years, when the region's disposable gross national income (7.3 percent), fuelled by an expansion of exports and the 'terms of trade effect',[22] in fact outpaced GDP growth, the proportional level of PSE actually 'went down without reversing itself'.

Third, a number of countries in the region have managed to significantly reduce the rate poverty notwithstanding (despite?) the structural, political and policy dynamics that tend to work in the direction of increasing social inequalities (and thus against this outcome). To be more precise, 'primary' (market-generated and private sector led) growth; neoliberal policies and a reliance on populist palliative measures, and the generally regressive nature of PSE, all tend to work against the poor, raising serious questions about the entire 'poverty problematic' – and the factors responsible for, or associated with, the observed improvements made at this level. Clearly, social spending by governments is not the determining factor. Other factors, such as outmigration and migrant remittances, or even definitional measures and statistical manipulations, are necessarily involved.

22 The countries whose fiscal revenues have risen the most are the ones whose terms of trade have improved the most. As a consequence of the region's high degree of specialization and the considerable share of total exports represented by commodities, the level of fiscal revenues is highly sensitive to export prices, especially in the case of exports by State enterprises.

The Poverty Problematic

ECLAC's *Social Panorama of Latin America 2007* provides the latest 'official' poverty estimates available for the countries of Latin America. These estimates indicate that in 2006-2007 36.5 percent of Latin America's population (195 million people) were poor and 13.4 percent (71 million) were extremely poor (Table 2.2). This represents a significant improvement in the situation prevailing in the region in the 1990s, even just a few years ago in some cases.

A comparison of figures in Table 2.2 with those for 1990 and 1997 shows that in addition to the progress made in the late 1990s further progress was made in reducing poverty and extreme poverty, or indigence, with a 3.3 percent drop in poverty and a 2.0 percent decrease in extreme poverty. This means that upwards of 15 million people escaped from poverty in 2006 alone and that 10 million who had been classified as indigent ceased to be so.

When the year 2002 is used as a benchmark, Argentina (data for urban areas) displays the greatest improvement, with reductions of 24.4 and 13.7 percentage points in its poverty and extreme poverty rates, respectively. Venezuela meanwhile has reduced its poverty and extreme poverty rates 18.4 and 12.3 percentage points, respectively. Thanks in part to an ongoing implementation of broadly progressive social programmes, in 2006 alone the poverty rate was lowered from 37 to 30 percent and the indigence rate from 16 to 10 percent.

These two countries are followed, in order of magnitude, by Peru, Chile, Ecuador (urban areas!), Honduras and Mexico, which marked up poverty reductions of over 5 percent between 2000-2002 and 2006-2007. With the exception of Peru, at least half of this cumulative poverty reduction occurred in the more recent years in this period. This is particularly notable in the case of Chile, where 5.0 of the 6.5 percentage points by which the poverty rate was reduced applied to the period from 2000 to 2006 (ECLAC (2007b: 16).

Table 2.2 Rates of poverty/indigence in Latin America, 2002, 2004, 2006 (%)

	2000-2002	2003-2004	2006
Argentina	45.4 20.9	26.0 9.1	21.0 7.2
Bolivia	62.4 37.1	63.9 34.1	… …
Brazil	37.5 13.2	36.3 10.6	33.3 9.0
Chile	20.2 5.6	18.7 4.7	13.7 3.2
Colombia	51.1 24.6	46.8 20.2	… …
Ecuador	49.0 19.4	45.2 17.1	39.9 12.8
Mexico	39.4 12.6	37.0 11.7	31.7 8.7
Peru	54.8 24.4	48.7 17.4	44.5 16.1
Venezuela	48.6 22.2	37.1 15.9	30.2 9.9

Source: ECLAC (2007b), *Social Panorama of Latin America.*

However, in only five of the sixteen countries analyzed by ECLAC economists has poverty been significantly reduced relative to the early 1990s; they include the three countries (Brazil, Chile, Ecuador), where labour income per employee, or wages per worker, has risen. As for Argentina, Bolivia and Uruguay, and even Venezuela, they either recorded no progress since 1990 (from 1990 to 2005) or a increase in the number of the poor and the poverty rate (ECLAC, 2007b). So much for the poverty-reduction policy dynamics of economic growth or the leftward turn of regime politics in the new millennium.

Conclusion

Latin-American development over two decades of capitalism and neoliberal globalization needs to be reconceptualized and analyzed from a class perspective. As it is, critical issues in this development have been either misconceived or insufficiently understood at the level of political dynamics.

It does not require a class analysis to determine that neoliberalism is at a major crossroads between demise and a new lease on life, that the outcome is contingent on the correlation of class forces. To be sure, guardians of the new world order have achieved considerable success in drawing the Left into the project of saving neoliberalism, to resuscitate and preserve it – to reform it in the direction of sustainable human development. This is evident. Less evident, and requiring more analysis, is that – as Marx understood so well – things are often not as they seem. For one thing, many on the left have fallen into the trap set by the guardians of the neoliberal world order in assuming that the rural poor have no option but to adjust to the immutable forces of capitalist development rather than resist them in class action. Many of the rural poor have indeed been driven to take the few pathways available to them – migration and labour (and for a few, farming) – or opened to them by the World Bank and its strategic partners in the war on poverty: local or community-based development micro projects via an accumulation of their 'social capital' (capacity to network based on norms of trust and solidarity) and their 'empowerment' (capacity to act and participate in decisions as to how to best spend the poverty alleviation funds made available to them).[23] But it is evident that resistance, in the form of anti-systemic social movements, rather than economic adjustment to these forces in the form of migration or an exchange of labour against capital, provide a more emancipatory pathway out of rural poverty.

A second conclusion that might be drawn from our discussion is that while sate power might be an indispensable tool for social change it is by no means sufficient. The 'new radical politics' of 'changing the world without taking power' is indeed bankrupt, unable to effect the structural changes needed to bring about 'another world' of social justice, equity and people's power. But the critical issue

23 On this problematic see, inter alia, Veltmeyer (2007) and Weber (2002).

is how state power exercised and in whose class interests.[24] Related to this issue is the ability of the organizations in the popular movement to achieve effective representation in, and a measure of control over, the state apparatus. Yet another issue is the organizational form of the state – a question of whether policymaking and decisions are entirely concentrated at the centre or whether channels for genuine 'popular participation' in these decisions exist.

A third conclusion drawn from our analysis is that class is an absolutely critical factor in Latin American politics and regime functioning. Not only do the workers, together with the masses of Latin America' urban and rural poor, bear the brunt of neoliberal policies and receive a totally disproportionate share of the social product – the social distribution of wealth and income inversely related to its production – but government expenditures in general, and even spending on social programmes, are designed to favour the rich over the poor.

Another conclusion drawn from our brief probe into Latin American developments in the era of neoliberal globalization is that socialism is on the horizon of the popular resistance but that it has a long way to go. It is unclear, for example, how far Hugo Chávez and the Bolivarian Revolution can take Latin America towards socialism. But the project merits the support and active engagement of the left, as do the revolutionary forces in Bolivia, Ecuador and elsewhere. The problem is to determine the form of this support and engagement. Our reading of Latin American politics suggest that the intellectual and political left could do worse than engage in a serious reconstituted, theoretically informed and concrete class analysis. This needs to be done and is not outside the scope of what the left could reasonably contribute.

24 One of many manifestations of this problem is the evident break from the working class forces of resistance mobilized by the Workers Central of Bolivia (COB), once the most powerful class organizations on the country. Today, not only has COB been marginalized and scuttled by the regime, it is regarded by Gárcia Lineres and thus presumably by Morales as a totally outdated spent force and of no political relevance in the current context. So much for the search for strategic alliances initiated by MAS in the mid-1990s.

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Chapter 3
Argentina: From Crisis and Rebellion to Growth and Pragmatic Neoliberalism

On the days of 19-21 December 2001 a massive popular rebellion overthrew the incumbent President De la Rúa amidst the greatest street battles and highest casualties (38 protesters were assassinated) in recent Argentine history. Major demonstrations and street blockages took place throughout the country in an unprecedented alliance between unemployed workers and a substantial sector of the middle class defrauded of its savings. In quick succession three Congressional aspirants who sought to replace De la Rúa were forced to resign. The protests, as well as sharp conflicts within the Argentine ruling class, initially hampered the opposition's effort to create a new government. Despite the confusion, one certainty jumped to the fore: A few days of popular upheaval, marked by the government's violent but unsuccessful attempts at repression, had ended the austerity regime of economy minister Domingo Cavallo and challenged the International Monetary Fund's stranglehold over Argentine society.

From December 2001 to July 2002, the popular movements were a power in the streets and a visible presence in all provinces, blocking highways as well as the major boulevards of Buenos Aires and provincial capitals. It is estimated that up to four million, out of a potentially active population of around 30 million participated in demonstrations. As in Ecuador and Bolivia in the opening year of the new millennium, writers on both sides of the political spectrum wrote of a 'revolutionary situation' marked by an emerging 'dual power' between the piqueteros, neighbourhood assemblies and the 'occupied factories' on the one hand, and the state on the other. The state as well as the traditional parties and politicians had lost legitimacy in the eye of a majority of Argentines in the events leading up to and immediately following the December uprising. They were new political times for Argentina, as they were in Bolivia and Ecuador, where the neoliberal policies of the 1990s had spawned an indigenous uprising within the popular movement.[1]

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1 Events in Argentina represented the most recent in a series of historic clashes between Latin American workers and their governments. In January 2000, the indigenous popular movement, with the support of sectors of urban workers and some social organizations, toppled the neoliberal administration of President Jamil Mahuad. Three months later, Bolivian workers, peasants, and coca growers triumphed over government plans to privatize water in the Cochabamba region. Sustained protests at the national level pressured an ailing Hugo Banzer to resign the presidency in the summer of 2001.

The popular slogan 'Que se Vayan Todos!' reflected widespread hostility toward the old politics of the neoliberal era. Even so, seventeen months on another electoral campaign to install another government over 65 percent of the electorate voted between the top two candidates from the very traditional betimes populist and betimes liberal Justicialista Party (Peronist), one of which was Carlos Menem, President from 1989 to 2000 and the main culprit for the collapse of the economy and the impoverishment of millions of Argentines. But facing a certain resounding defeat in the second round, Menem withdrew from the electoral arena, allowing Nestor Kirchner, with a little over 21 percent of the vote, to become President. That was then (2003) and this is now (2008), six years into a Kirchner family regime.

Two and a half years after the 2001 uprising President Kirchner still enjoyed a 75 percent approval rating, the support of the three major trade union confederations and the human rights organizations (including the militant Madres de la Plaza de Mayo), vast sections of the middle class and many important 'piquetero' organizations of the unemployed – and the backing of the IMF notwithstanding Kirchner's threat to suspend payments on the external debt.

The abrupt and profound political turnaround raises a series of important theoretical and practical questions about the nature of the popular movements and uprisings, both their achievements and limitations, as well as the nature of the Kirchner regime under radically different economic conditions that emerged in 2002. Specifically, the political turnaround in Argentina, including a shift of the regime away from neoliberalism and towards the left, raises several other questions concerning the re-legitimization of discredited political institutions; the political strategy of a neoliberal regime in a time of widespread rejection of failed neoliberal policies; the reformation of the Peronist Justice Party – subsequent to the December 2001 uprising; the multipolar international economic strategy (ALCA, Mercosur, Free Trade Pact with the EU; bilateral relations with Venezuela, Brazil and China) designed to gain export markets; and, most important, new political developments in both the labour movement and the countryside.

Our first observation: if significant political changes have taken place, they have occurred in a context of substantial continuities on socioeconomic structures and policies, which have had a minimal impact on the class structure, including unemployment, incomes and poverty. Serious obstacles to a sustainable, equitable and vigorous economic development remain untouched. Foreign debt payments, capital flight and overseas deposits, privatizations, and disinvestment by foreign and domestic owners of strategic enterprises have continued in a context of renewed economic growth under the impetus of a primary commodities export boom and the concentration of capital at the apex of the economic structure (Lozano, Rameri and Raffo, 2007).

The big question facing the 'rebourgeoisification' of Argentine politics is embedded in this heterodox regime – how deep and far can the Kirchner regime proceed with political and social changes in the face of commitments to strategies and institutions linked to the past? Specifically, is the Kirchners' vision of a

'normal capitalism' growing out of the reigning neoliberal politico-economic configuration viable? Leaving aside the vagueness and ambiguity of the term (what is 'normal'?), is there any possibility for Cristina Kirchner, the heir and successor to Nestor's political project, to cultivate a 'national bourgeoisie' in the context of a neoliberal globalization process, regional free trade agreements, a limited domestic market, energy and infrastructure bottlenecks resulting from the previous privatization policies, and a dramatic turnaround, since 2002, in the global demand for the country's energy and food resources?

To address these questions we will examine the continuities and changes that define the Kirchner regime, with an emphasis on economic and political developments since Christina's turn at the helm of the state. The aim is to analyse the inner logic and underlying dynamics of the regime and to understand the forces at play in an emerging class struggle over scarce and recently, in the context of a primary commodities export boom and far from scarce economic resources.

Political Transformation under Nestor Kirchner

The Nestor Kirchner regime carried out important changes in the judicial, military and law enforcement institutions. For one thing, he successfully replaced the corrupt 'automatic majority' of the Supreme Court justices appointed by ex-President Menem with a group of respected jurists. He forced into retirement many of the top generals and police chiefs with dubious human rights credentials, many involved in illicit contraband, kidnapping and extortion activities. He led the successful fight to repeal the amnesty granted by previous presidents (Alfonsin and Menem) to the generals involved in the mass murder of 30,000 Argentines during the 'dirty war' years (1976-1982). He demanded that Congress clean up its high level of bribe taking (especially the bribes taken in 2001 to pass anti-labour legislation). In these ways, Kirchner partially re-legitimised public institutions by at least giving them a semblance of honesty, accountability and responsiveness to human rights concerns. Equally important is that through style and substance he managed to legitimise the Presidency as a valid interlocutor with sectors of the popular movements, human rights groups, trade unions and the international financial institutions. As a result Kirchner, in March 2004, he entered his second year in office with an unusually high popularity rating. Nevertheless, these important political changes did not significantly affect the nature of the state and the underlying dynamics of class struggle and political allegiances.

The 'reformed' military is a case in point. While some of the high-ranking officials were retired,' most of those who took their place were of the same school of authoritarian politics – and profoundly hostile to the retrial of the genocidal generals. This was evident during Nestor Kirchner's visit to ESMA, the former Naval Academy converted into a museum recognizing the victims of the military terror. The same is true in the judiciary and police: changes in personnel at the top have not changed the 'rules' and context of operation of the officials. Many of

the judges are still part of the old order and the police still engage in corrupt and violent activities. The partial 'house cleaning' is not a continuous process and the conditions exist for the reproduction of the old system, once circumstances and mass pressure recede.

The annulment of the amnesty did not lead to a rapid retrial of the military officials implicated in the 'dirty war' of the 1970s. Human rights observers claimed that there would be a prolonged process of litigation prior to the trials, in part because a substantial sector of the pro-Menem Peronists are important state governors and congress people and continue to oppose human rights trials. While Kirchner made significant changes at the top he did not change the structural linkages between the political institutions, his political party (Peronism) and the neoliberal economic elites, both foreign and domestic, who continue to control the economy and under Cristina Kirchner's mandate have even increased their influence and quota of state power.

Kirchner also made policy changes that actually weakened the authoritarian elements of the country's political elite. The President intervened in Santiago de Estero to remove the Mafiosi governor whose family ruled with an iron fist for over half a century. In line with his effort to build his own independent political base – against the right-wing Peronists – Kirchner promoted what he called 'transversal alliances': coalitions that cut across existing party lines and social movements. While still heavily dependent on Peronist governors, the Kirchner project envisioned a new political party on the centre-left based on a return to the national-popular politics of the earlier Peronist era, but with less corruption and repression.

During his first year in office Nestor Kirchner and his regime was generally tolerant of piquetero activity – including street blockages – thus avoiding violent confrontations that might have alienated his supporters among the human rights groups and so reignite mass protests. However, while the regime was initially respectful of the democratic rights of the piqueteros to protest, he refused to rescind the political trials of 4,000 activists arrested during the previous regime. Moreover his provincial political allies continued to savagely repress mass protests, jailing and injuring many in San Luis, Santiago de Estero, Salta and Jujuy. Worse, Kirchner's Minister of the Interior promised to enforce a court ruling in April 2004 criminalizing piquetero street blockages, a measure which united the entire piquetero movement in a massive protest in May 2004.

Kirchner's first year in office was based on a realistic assessment of his precarious position, the proximity of the December 2001 uprising and the need to convert his general popularity into an organised and 'organic' base of support. Kirchner moved with great astuteness in this regard, balancing his liberal economic policies with human rights measures and widespread but minimalist welfare policies. He complied with most of the IMF commitments but has rejected increases in budget surpluses and higher payments to private bondholders, thus keeping the international financial institutions at bay while creating the popular image of independence from the IMF. He proceeded to symbolically satisfy

many of the demands of the human rights groups over past violations without threatening the military officialdom. He did not reverse the privatization policy of his predecessors but he temporarily froze the prices for energy, electricity and other public services, a policy he subsequently reversed. Kirchner also retained most of the subsistence 'labour contracts' signed with the unemployed workers but did not increase payments beyond the $50 a month rate, and he also eliminated over 20,000 recipients who, despite protests to the contrary by some piquetero organizations, the regime claimed were ineligible.

Nestor Kirchner's most ambitious and successful social programme was in the area of pharmaceuticals: The government guaranteed public provision of drugs at a 90 percent discount in the primary care clinics for low income families, covering 15 million people. In addition the government claimed to provide anti-viral medications for AIDS victims. The Minister of Health, Gines Gonzalez Garcia, claimed the new Generic Prescription Law would benefit 82 percent of the drugs prescribed in Argentina, allowing four million Argentines to access drugs previously beyond their purchasing power.

Given the high level of abject corruption in the state apparatus, Kirchner was obliged to make changes in personnel in order to have a political instrument to pursue the 'normalization' of capitalist development. For example, given the connivance of high police authorities with gangsters and criminal police involved in widespread extortion, blackmail and kidnappings of business people, it was impossible to secure investors and new investments. While the Supreme Court was controlled by corrupt judges at the beck and call of former President Menem there was the constant threat of any change being ruled 'unconstitutional.' The key to Kirchner's political, judicial and military reform was his desire to make the state over in the image of 'normal capitalism' without unmaking its capitalist and even neoliberal character. Unquestionably some of the changes were positive – as far as they went. But it is also the case that as Argentine capitalism once again moves into another political crisis under Cristina Kirchner even these 'reformed' state institutions can serve to repress and block necessary changes.

The Kirchner Era: Economic Performance and Social Conditions

The economic recovery underway in Argentina since 2002 reflects both the changed, and much more favourable, world market conditions and the profound class bias of the Kirchner regime towards he agro-export bourgeoisie. Foreign trade based on agro- and mineral-exports have boomed and continue to do so, but they have led to few if any 'trickle-down effects.' Studies by Lozano, Rameri and Raffo (2007) show that the lion's share of economic growth benefits have accrued to a small cluster of large enterprises at the apex of the economic structure. Also, international trade negotiations over ALCA have taken place, and some disagreements have been aired, but these have primarily concerned Argentina's agro-exporters, without affecting labour, environmental or social interests.

From March 2002 to January 2004 industrial production grew by 33 percent, and from then to the last semester of 2007 another 19 percent. Economic growth in 2003 was 8.7 percent, a rate more or less maintained to date. According to official statistics employment increased 30 percent from 2002 to 2007, resulting in a reduction in the unemployment rate of 5.9 percent (from 21.5 to 16.3 percent) over the first two years of Nestor Kirchner's regime, although more recent data show that the rate of unemployment in 2005 was still higher (by 2.4 percent) than it was at the onset of the crisis in 1998, implying an additional 375,354 unemployed workers (Atzeni and Ghigliani, 2008).

Sustained economic growth since 2003 is based on particularly favourable external conditions rather than on any structural changes. The prices for most of Argentina's principal agro-mineral exports were at record highs in 2003 to mid-March 2004 – oil, meat, grains, soybean at near record highs, providing a trade surplus of over 5 percent of the GNP. This allowed Nestor Kirchner's regime to meet the 3 percent surplus requirement of the IMF and at the same time to finance the partial economic recovery and the work plans (unlike Brazil where the Da Silva regime allocated a 4.25 percent budget surplus to pay off creditors at the expense of the local economy and the unemployed). Thus in large part the progressive economic image of the Kirchner regime was an artefact of the context rather than the substance of its policies. Given the ultra- or pragmatic-neoliberal policies currently practised in Brazil, Mexico, Uruguay, Peru, Chile and elsewhere, and given the devastatingly destructive give-away policies of his predecessors, it is understandable that many journalists, leftist intellectuals, human rights activists and others perceived Kirchner's vision of 'normal capitalism' as progressive or leftist. Indeed in the context of attacks from the far right in Argentina (sectors of the military, the *Nación*, financial speculators and provincial governors tied to ex-President Menem) and sectors of the IFIs externally it is plausible to argue that Kirchner's policies were relatively 'progressive,' but only in a very limited sense.

The dramatic growth in exports since the Kirchners came to power is not the result of any specific policy reforms; rather it represents conditions of change in the world economy. The economic recovery coincided with a high demand for Argentina's commodities and in addition it is measured from the low starting point of a devastating devaluation in 2001. Between 2001 (the year of the financial economic collapse) and 2003, Argentine exports grew between 11 and 124 percent depending on the sector, with the biggest growth in agriculture and petroleum commodities that did not require new investments. Currency devaluation also stimulated the growth of local industries, as imported capital and finished goods became too expensive. The net result was significant trade surpluses. The same pattern of trade surpluses was evident in 2004 and subsequent year. In large part the Argentine export boom moves economic recovery because its domestic market is still very depressed.

However, the benefits of export growth have bypassed the majority of Argentines. First, the export growth sectors are very capital intensive and employ a very small number of workers (mechanised agriculture and petroleum). Thus the income and

profits from the export sector accrue to a very small class of foreign capitalists and local agro-oligarchs who transfer a substantial percentage of their earnings abroad, lessening the so-called 'multiplier effect' on the rest of the economy. Inflation figures of approximately 4 percent are deceptive in that they reflect prices of durable and capital goods; prices of meat and other basic consumer food items have risen by nearly 20 percent in recent years, thus prejudicing workers, public employees and unemployed workers whose wages are frozen.

For Argentine stock speculators 2003 was a glorious year as stocks jumped over 100 percent. Backed by the International Financial Institutions, foreign bondholders still refused to accept a 75 percent reduction on their defaulted paper from previous regimes. The financial system showed some recovery as deposits rose 50 percent since the middle of 2002, yet more than 90 percent were held in short-term accounts of less than 30 days. The financial and industrial sectors of capital showed little inclination to make long-term, large-scale investments that would sustain growth. Instead, they continued to send their earnings abroad and in some cases disinvest. During 2003 net capital inflows were a negative $3.8 billion dollars. Almost all of 'growth' in 2003 was based on activating existing unused capacity, which remained a serious bottleneck in the economy. Another obstacle to growth was the relatively weak inclination to invest of the foreign monopolies in the electricity, gas, water, and telecommunications sector and this despite the agreements to do in the context of signing the privatization contracts. As a result even the one-year growth of 2003 was jeopardized as the monopolies have created gas and electrical 'scarcities' to increase the rate of profits via increased prices, thus forcing reductions in producer and consumer usage.

The continuity of Kirchner's basic macroeconomic policies with the policies of the Menem years led to a significant concentration of economic power and, according to some World Bank economists (De Ferranti, Perry, Ferreira and Walton, 2003: 242), to deeper 'distributional changes' (greater inequality) than in any other Latin American country. It also created serious imbalances in the distribution of growth in dynamic economic sectors. Worse, the concentration of economic growth deepened conditions of crisis in some social sectors in the urban centres while generating conditions of political crisis in some rural sectors, particularly in regard to the petit-bourgeoisie of small-to-medium grain-for-export producers, targeted by the government for 'retention' of a increased share of its export earnings. The problem for these producers, who continue to resist the government's income grab with a paralyzing 'strike', blocking the roads and preventing the transportation and agricultural products, is that the government failed to discriminate in this policy measure against the big grain producers that have benefited the most from changed world market conditions and government policies.

Continuity of Social Crisis

While the GNP grew by over 8 percent in 2003 it was still well below the 1997 pre-crisis levels. And while per capita GNP increased by 6 percent it was still 17 percent below what it had been. While unemployment declined 5 percent it was still a hefty 16.3 percent. Moreover the number of part-time workers increased from 13.8 percent in 2002 to 16.6 percent in 2003 – although there is more recent evidence of the growth in 'decent' jobs in the formal sector. Combining part-time and unemployed workers the net gain between 2002 and 2003 (the 'recovery' year) the change for the better was very marginal – 2 percent. The 'recovery' in that year and since has not had any major impact on the working class in terms of unemployment. If we discount the two million beneficiaries of the $50 a month work plans, and take into account the relative decline in the share of wages in national income and value added over the past five years, it is evident that the bulk of the working class did not and still has not benefited from the recovery and recent economic growth. Data related to wages and the distribution of household income also substantiate the argument that the pragmatic neoliberalism of the Kirchners has not had any positive benefits for the working class.

Between 1997 and 2003 the real value of the average wage declined 22.4 percent. There was a steady but gradual decline until 2001, which was followed by a sharp fall of 17 percent in 2002, in the wake and context of a massive devaluation that not only cut the purchasing power of the wage but cut deeply into middle class consumption, the driving force of the Argentinean economy.[2] Deterioration of income conditions continued into 2003 and beyond, in part because of the freeze on the wages and salaries of public sector workers (until May 2004) and the impact on private sector workers of the government's policy of holding back wage demands to spur growth, a policy concerted with and agreed to by the trade union leaders. The fall in purchasing power during the 'economic recovery' of 2003 and subsequent years has been even greater if we look at the above average increase in prices of basic foodstuffs, which form a larger proportion of the family basket for working class families. Clearly the export-driven recovery, compliance with the IMF's stabilization programme and the high returns to speculators in the Argentine stock exchange came at a continuing high price for the majority

2 Not only workers but also the middle class have been hit hard by the recession. Shopping centres – important 'altars to middle-class confidence and consumerism' in Argentina – registered a 22 percent slump in sales in the month leading to the December outbreak of protest and discontent. The figure is revealing because Argentina remains 'a nation where domestic consumption accounts for 80 percent of the economy' (Catán, 2001). Yet banners announcing sales and liquidations have become so commonplace in the windows of city shops that they have ceased to attract buyers. And fears of default and devaluation have plagued middle class consumers, whose credit card debt and mortgages are mostly held in dollars (Thomas Catán, 'Once confident Argentina now dances to a different tune,' *Financial Times*, 12 November 2001).

of wages and salaried Argentines. This is evident in data that documents a trend towards a relative decline in the value of the average wage and the share of labour in national income – a trend that persists to date.

The most striking illustration of Kirchner's elite-based economic recovery can be found in the year-to-year data on income distribution as well as the concentrations of wealth and poverty found on the extreme ends of this distribution. As for income distribution, the period of economic recovery (2003-2008) under the Kirchner regime evidenced a substantial fall in the share of labour wages in national income and value added, a fall – from 44 percent in 1997 to 21 percent in 2005 – reflected in the growing gap between the income received by the top and bottom deciles of household income earners. In 2003 the ratio of income that accrued to the top and bottom deciles of household in come earners was 23 to one; in 2008, five years into a primary commodities boom and a period of rapid economic growth, this ratio increased to 31 to one (Atzeni and Ghigliani, 2008).

As for the dynamics of income distribution, increased inequalities do not necessarily translate into more poverty, as some analysts working for the World Bank have argued. In Argentina, for example, the concentration of capital and income that has characterised recent developments is nevertheless associated with a significant reduction in the official poverty rate – from 51.7 percent in 2003, at the outset of a primary commodities boom, to 31.4 percent in 2006. This trend – increased disparities in the social distribution of income combined with a reduction in the overall poverty rate – parallels a trend observed in Brazil and Chile, suggesting that increased social inequality does not necessarily imply more poverty. Nevertheless, it is clear enough that only a minuscule part of the wealth generated in the process of export-led growth have trickled down to the urban and rural poor, who still make up a third of the population today.

The growth dynamics involved, and the arguments surrounding this trend (that the reduction in the poverty rate is largely an statistical artifice, disguising as it does a growing number of the poor and a concentration of many working class households at just above the poverty line), warrant a closer look. For one thing, the trend towards reduced incidence of poverty has an important urban-rural dimension. In the 1990s, for example, in Latin America there was a regionwide trend towards decreased rural poverty – especially at the level of destitution or indigence – but De Janvry and Sadoulet (2000) show that this was by no means the product of government action or 'pro-poor' development policy. Rather, it reflected a trend towards accelerated rural to urban migration. Also, most of the 'outstanding success' in rural poverty reduction and alleviation was due to developments in just one country: Brazil. Taking Brazil out of the picture a different regional trend emerges. Everywhere else the trend was no change or increased rate of poverty. In any case, it appears that in the new millennium, under conditions of an initial crisis and subsequent recovery, and new pro-poor policies adopted under the post Washington consensus, social inequalities generally continued to grow while poverty rate exhibited a mild downward tendency.

There is some controversy about this in that to some extent the improvement seems to be more of a statistical artifice than the effect of 'pro-poor' development policies. In any case, at least in regard to Argentina, high growth rates did not result in a substantial improvement. On the contrary. It appears that the lion's share of the benefits of growth was appropriated by capital – by a small cluster of corporations at the apex of the economic structure. According to Lozano, Rameri and Raffo (2007) in 1997 the sales of the biggest 200 corporations – 52.5 percent of which were foreign-owned in 1997 and 64 percent eight years later – accounted for 31.6 percent of the GNP while in 2005, two years into the Kirchner regime and primary commodities boom, its contribution to the GDP and share of national income was 51.3 percent.

Another indicator of the concentration of the income benefits of economic growth under the Kirchners is the ratio of capital to labour in the distribution of national income. According to Atzeni and Ghigliani (2008) the concentration of capital from 2003 to 2007 was accompanied, by a relative shift of income from labour to capital, reflected in a decreased share of the former: from a position of 43.9 percent in 1993, the share of wages in national income dropped to 38.2 in 2000, eight years into the Menem reforms and two years into a deep crisis, and then it dropped another 9.4 percentage points in 2001, a year of deep financial crisis, before dropping another 2.5 points in 2002 before initiating a slow recovery – to 30.8 percent – by 2006.

In this process, the participation of capital in national income (in the form of profit on sales) increased concomitantly, although there little evidence that this income benefit translated into increased productive investments. Rather, it was reflected in increased savings, consumption and unproductive 'investments' overseas. By all accounts, the middle class, the major agency of domestic consumption, which drives 80 percent of the economy, has been squeezed while the situation of the working classes actually deteriorated, as reflected in the failure of the wage to keep up with the rate of growth and inflation and also in recent political developments within the working class.

Although the government portrayed the last years before the outbreak of struggle in the rural sector as 'harmonious', with all sectors participating in the turnaround in the economy, political developments suggest otherwise. For example, the last months of 2004, two years into an economic recovery and the primary commodities export boom, the country experienced a wave of labour conflicts, which in the subsequent year, despite all the conciliation efforts of the government, turned into a cascade in 2005, recording a higher rate of class conflict than in any year since the outbreak of a system-challenging debt crisis in 1983. This development was not just a political reflex of increased growth – a concern of workers that they should share in the fruits of economic growth. It reflected important organizational developments within the working class – most significantly the reunification of the labour movement.

In the Wake of the Crisis

In the wake of the 2001 financial crisis, Argentina has been the site of diverse and labour protests, mainly led by the unemployed movement (the piqueteros), after 2002 and in a context of economic growth and political stability, labour struggles have resumed with trade unions and formally employed workers as the main protagonists. The reunification of the main workers confederation of Argentina, the Confederación General de Trabajadores (CGT), is arguably another index of unions' re-gained political relevance.

At the level of poverty, by the end of Nestor Kirchner's first year in office over half of the population (51.7 percent) still lived under the poverty line. From 2002 to 2003, despite a growth rate of 8 percent, the poverty rate declined only 2.6 percent, making it difficult to read Nestor Kirchner's first year, as many have, as an 'economic success story' – at least from the perspective of the population mired in poverty after a decade and a half of neoliberal reform. Worse, the level of indigence or extreme poverty remained extraordinarily high – 25.2 percent in 2003, rising 0.5 percent in 2002 before falling again. The statistics regarding poverty and indigence in the transition from Nestor to Cristina Kirchner are ambiguous and subject to conflicting interpretation. While official records show a substantial decline in the level and rate of poverty overall, from a high point of 51.7 percent in 2003 to a low of 23.4 in 2007, the poverty rate today is still higher than it was in 1998, a low point in the distribution of income and an associated disparity in socioeconomic conditions.

As for the social distribution of these inequalities and the incidence of poverty, the government's own statistics are revealing and disturbing. According to these statistics, the richest 10 percent of the population still receive 36 percent of the country's income while the poorest 10 percent receive only 1.5 percent. The government estimates that at least 11 percent of the population today still cannot meet their basic food needs and that poverty rates are about 20 percent higher in the rural areas than in the urban areas. In the greater Buenos Aires metropolitan area the poverty rate is 29.8 percent while in the subtropical jungle areas of the Northeast the rate is as high as 60 percent. The second-poorest area of the country is the mountainous region of the Northwest where the poverty rate is 53.6 percent. Also, women make up a larger share of the poor. They comprise a large percentage (60 percent) of those employed in part-time or low-skill (and therefore low-paying) jobs. In overall terms, their poverty rates are twice as high as males.

The National Bourgeoisie and the Energy Multinationals

An explanation for the deterioration in social conditions under conditions of rapid sustained growth, and the inverse relationship between GDP growth/profits and wages/poverty, can be found in the behaviour of the state and the national bourgeoisie. As for the state, at issue is its allocation of billions in debt payments

to the international lending agencies – instead of job-creating public investments; for continuing to allow lucrative privatized enterprises like Repsol Petroleum to transfer billions to their home office; for not taxing the $150 billion dollars in overseas holdings of the Argentine elites; for failing to channel foreign exchange earnings of the agro-mineral elites into job creating domestic production. In short, Kirchner's commitment to the neoliberal imperial-centred model of his predecessors does not provide the political-economic instruments, resources and capabilities to directly tackle deep structural configurations, which generate poverty, indigence and declining living standards.

Taking advantage of Argentina's import constraints, the 'national bourgeoisie' has launched an economic recovery of sorts. And taking advantage of the large reserve of unemployed, Argentine capital has expanded production by exploiting low-paid labour and longer hours of work to increase output, without any significant new investments or technology. In effect the industrial recovery has taken place via the activation of unused existing capacity. There is little sign of any large-scale, long-term new industrial investment. Once this 'easy development' runs its course, Kirchner's 'national bourgeoisie' shows few signs of sustaining development. In the meantime, the strategic foreign owned economic sectors are moving hard and fast to capture whatever economic surplus emerges from the recovery. Foreign creditors and the IMF are demanding an increase in the valuation of the deflated bonds. The privatized gas and electrical companies, which reaped exorbitant profits between 1996-2001, failed to comply with their investment agreement with the government.

With the resulting recovery, the country's industries and consumers faced a severe energy crisis, accentuated by the failure of the Bolivian government to deliver on its contracted agreement. By April 2004 the state agency in charge of regulating the electricity wholesale market was forced to lower the voltage to prevent greater blackouts induced by the big electrical companies (*Financial Times*, 5 April 2004 p.4). During the last week in March more than 30 industries were affected by blackouts. According to the *Financial Times*, the energy crises could reduce economic growth by 2 percent in 2004 (ibid.). The Kirchner regime capitulated allowing gas companies to raise prices by 100 percent over the next 15 months. While the Presidential claims that smaller companies and residential consumers will not be affected, most likely the larger industrial users will pass on to consumers the higher energy costs in higher prices. Even more important the regime's energy price increase accepts the 'principle' of raising rates, and of rewarding corporate blackmail. The Kirchner regime privileged the position of the privatized foreign-owned petroleum companies thus rejecting popular demands to renegotiate the unfavourable terms of the privatization.

The petroleum and gas industries are one of Argentina's principal export and foreign exchange earners. Beginning with his earlier period as governor of Santa Cruz province, Nestor like Cristina after him was a staunch supporter and promoter of the privatization of petroleum and a close ally of the Spanish multinational owners, the Repsol Petroleum Company. The long-standing deep links between the

Kirchner regime and the foreign owned petroleum corporations represents a triple threat to the project of 'normal capitalism' or what we might denote 'pragmatic neoliberalism'. For one thing, the demand of the energy sector for higher charges to consumers (both industrial and household) is certainly inflationary, unpopular and would lower the 'competitiveness' of Argentine producers on international markets by raising the cost of production. Moreover, by raising the cost of energy Kirchner's image as an 'independent national statesman' would have been called into question. Thus, Kirchner's forceful but inconsequential accusations that the foreign-owned energy companies failed to invest since 1996 were true but were not followed by any positive actions or even any investigations, let along renegotiations of the privatization contracts. Secondly the energy 'crisis' undermined Kirchner's vision of 'normal capitalism' based on an alliance between agricultural and energy exporters and the national industrial bourgeoisie. The energy shortage had already led to cutbacks in industrial production as the foreign multinationals flexed their financial and political muscles.

Most energy experts familiar with the tactics that energy corporations use to raise rates questioned the whole idea of a 'crisis', particularly when the energy companies lowered production 'for maintenance reasons'. The MNCs in California, New Zealand, Australia and many other regions have used this tactic in periods of economic recovery and growth when demand is high and the state is unwilling to intervene against the energy enterprises.

Finally, the energy crisis generated conflict with Argentina's neighbours, namely Chile, Uruguay and Bolivia. In response to the MNC-induced 'energy crisis,' Kirchner reduced the export of gas to Chile and Uruguay in order to supply local industries and consumers. In addition, Kirchner signed an agreement with Bolivian President Mesa for additional shipments of gas, provoking the wrath of the Bolivian people who demanded a new hydrocarbon law favourable to the Bolivian state before any new agreements are reached. The short and middle range impact of the energy crisis brought to the fore a major contradiction between the Kirchner regime and the majority of his supporters: support of the privatized foreign owned multinationals and the demands of the people for an investigation, renegotiation and re-nationalization of strategic industries because of their high profits, abusive practices, price gouging and minimum impact on employment, poverty, tax revenues and national industrial growth. The energy issue, in all its ramifications, both in terms of its direct costs to growth and living standards and its symbolic meaning as a reminder of the continuation of the previous era of corruption and pillage, is critical to Argentina's future development and the stability of the Kirchner regime.

Kirchner's energy agreements with Venezuela, Brazil and Bolivia temporarily relieved the gas supply problems, but those agreements did not deal with the related problem of electricity generation. With demand growing at 1,000 megawatts a year and with spare capacity at only 3,000 MW, with no new plants scheduled by the foreign-owned electrical companies, Nestor Kirchner faced and Cristina Kirchner faces a severe political and economic crisis, particularly with the economic

recovery and the growth of industrial production. The Kirchners in this regard are 'victims' of an ideology (neoliberalism), their relations with the foreign owners of energy and electrical plants, and their political alliances with the Peronist Party – the authors and executioners of ex-President Menem's corrupt privatizations and subsequent pillage.

As Kirchner capitulated to some of the pressures for price increases from the foreign-owned public utilities his popularity declined – from 80 percent at the end at 2003 to 60 percent in June 2004. He knew full well the rules of neoliberal capitalism. The only way to secure some new investments from the foreign owners of strategic industries was to increase their rate of profits – above that of 'normal capitalism.' But without sacrificing livings standards of the workers and increasing costs for local producers in order to increase profits demanded by the foreign MNCs, Kirchner could not obtain a promise of new investments from the owners of electricity, gas, water, telecommunications and infrastructure enterprises. The regime's supporters left it to Cristina Kirchner to square this circle – to respond to the pressing demand for higher profit margins without increasing costs of consumption for the middle and working classes, and reducing both unemployment and poverty. Fortunately, for Cristina Kirchner the world economy has cooperated by providing historically unprecedented favourable conditions for agro-industrial and energy exports.

Argentine 'national' capital generally invests by borrowing[3] – not by reinvesting its profits in productive sectors (income is sent abroad or invested in high return local short-term bonds). Thus current growth is not based on new investments but in activating unused capacity. When installed capacity equals demands, growth will stall unless there are new investments, which the Argentine bourgeoisie will only realise if they have access to credit. Both the national and foreign financial sectors are not offering credit unless the Kirchner regime 'compensates' them for their speculative losses incurred subsequent to the devaluation. Overseas private bankers are refusing financing until Kirchner capitulates to their demands to raise the payments offered to the private overseas bond speculators.

In the short-term Argentina will continue to 'recover' based in part on the extraordinary boom in agro-exports, high petroleum prices and the reactivation of industry from its cataclysmic decline between 1998 and 2002. But the underlying structural and ideological foundations, which produced the crisis and popular uprising, are still in place. Moreover, the tendency is for the government to move toward a greater accommodation with the elite foreign beneficiaries of the neoliberal

3 Which is reflected in the exceedingly high profits of the multinational banks such as Santander heavily and profitably engaged in lending money to the Argentine 'entrepreneurs' and agro-industrialists. In 2008, for example, in the middle of a 'difficult economic situation, probably the most difficult seen by a generation of bankers', Santander, in terms of profits ranked third on the world, made over US$10 billion, with a 20 percent plus net again in profits from operations in Latin America over 2007. Just in Brazil, another major profit centre for the multinational commercial banks, Santander made a net profit of US$3 billion in 2008.

model. In this connection, the regime has legitimised the privatizations and called for greater foreign investments in the 'development' of basic infrastructure and exploitation of strategic resources. In keeping with this priority the Kirchner regime is gradually (and with occasional populist demagogy) moving toward implementing economic policies, which increase profitability for the firms even at the cost of living standards. The banking reform and debt agreement with overseas speculators will weaken the capacity of the regime to meet the social demands of the majority of Argentines under the poverty line. The unfolding reality is a series of incremental concessions to foreign owners of strategic economic sectors and overseas speculators designed to facilitate financing of local investments. Kirchner's vision of the decent human face of 'normal capitalism' appears to be a clay mask, which as it falls away reveals the smirking face of the old 'pillage and run' capitalism of the all too recent past.

The Social Movement: Piqueteros, Neighbourhood Assemblies and Punteros

Most writers cite the 19-20 December 2001 uprising that ousted then President De la Rúa as a 'turning point' in Argentine history. There is no doubt that the mass, largely spontaneous mobilization led to spectacular challenges to the existing political order, at least in the short run. Throughout the country, neighbourhood assemblies met in previously quiescent lower-middle class and even middle class barrios demanding the return of their savings. For the first time there were joint marches of the organised unemployed and sectors of the middle class neighbourhood associations. The clientele, patronage system through which the Peronist bosses controlled poor neighbourhoods was broken, as new autonomous unemployed movements emerged, took to the streets, blocked traffic and negotiated concessions directly from the state. Public debates over public polity involving over one-fifth of the entire adult population temporarily replaced the elite wheeling and dealing in Congress, which passed for 'democratic politics.' The whole political class, their parties and public institutions fell temporarily into total discredit. The populace in Buenos Aires, at one point, even stormed the Congress. Likewise in the provinces, they invaded the legislative assemblies, tossing furniture out the windows in their rage at the venality and unresponsiveness of the legislature and the party bosses who controlled the electoral processes and elected representatives. In the early weeks and months following December 2001 it seemed a new political order, a new political discourse, a new way of 'doing politics' was emerging.

The movements of the unemployed, with their piquetero activists, were organising a vast network of the poorest of the poor. The unemployed former trade union metalworkers were applying their old organising skills learned in the factories to organise the unemployed in their new settings in the barrios. Road blockages had the same effect as factory-based strikes – paralyzing the circulation of commodities. Unlike the bureaucratized trade unions, the unemployed movements took their decisions in mass popular assemblies. Direct and autonomous organization free

from party control seemed the order of the day. There was a 'feel' of a potential new and more responsive and fully democratic order in the making.

But it was not to be. Over the course of only two years, the process of 'democracy from below' began to ebb and then went into full retreat during the first year of President Kirchner's regime (May 2003-April 2004). What happened to the promise of a new political order 'from below'? What went wrong? What, if anything, is left from the uprising seven and a half years later in the second year of Cristina Kirchner's reign – after five years of a booming economy?

It turns out that the original strength of the popular uprising – its spontaneous, mass, autonomous character – became its strategic weakness: the absence of a national leadership capable of unifying the diverse forces behind a coherent programme aimed at taking state power. As a result, as well as an effective strategy of accommodation orchestrated from within the state, the unemployed workers 'movement' fragmented into a series of smaller movements, each led and controlled by local leaders or by small left-wing parties. The middle class assemblies initially drew hundreds of neighbours to all inclusive marathon discussions, which eventually exhausted their participants without leading to any formal organization, specific programme or even city-wide coordination. At the same time the small leftwing parties brought their sectarian conflicts into the assemblies, driving out many by their jargon, their maximalist programmes and their inability to solve pressing immediate problems, such as recovering the savings of middle class depositors in frozen and devalued accounts in the foreign-owned banks.

From December 2001 to July 2002, the mass movements, despite their division, were still on the offensive, challenging the interim President Duhalde. They dominated the streets and calling into question the legitimacy of the political system. In this half-year interim, as the economic crisis deepened and unemployment soared to over a quarter of the labour force and the middle class lost over 60 percent of their purchasing power, the three trade union confederations (from right to left) failed to respond to the political crisis. The unemployed workers' leaders made no effort to create a new alternative labour-based trade union. The original virtuous notion of autonomy from the old political parties became a slogan to justify the rise of local leaders in each barrio who undermined any effort to unify forces into a national or even citywide social movement. 'Autonomy' among a couple of student-influenced barrios became an excuse to turn away from politics to self-help projects. The crisis continued.

The Duhalde regime 'tested' its strength and capacity to quell movement activity via repression. In June 2002, a police inspector murdered two unarmed piquetero activists in a video-recorded confrontation, provoking a multitudinous demonstration. The regime turned to handing out hundreds of thousands of six-month work-plans to piquetero organizations, and local Peronist bosses. The piquetero leaders originally saw the demand for work plans as short-term solutions in response to malnutrition and growing indigence. Originally the workplans mobilized hundreds of thousands because they presented a concrete gain in a very specific and urgent circumstance. Although other more structural demands were

included, for example the repudiation of the foreign debt and re-nationalization of privatized banks and strategic energy industries, over time the focus of the mass movement became the 'work plans'. 'Success', as it was, was measured by which group or leader was most successful in negotiating the greatest number of plans in the shortest time with the least amount of bureaucratic paperwork. The 'work plans', paying only $50 a month (150 devalued pesos), was far below the poverty line, and close to the level defining indigence. The Duhalde regime was thoroughly discredited, under siege, but through the work plans it began to reconstruct a local apparatus to weaken the grass root organizations.

In the meantime, the government began a process of assuaging the middle class by unfreezing and repaying at least in part their frozen or withheld bank deposits middle class depositors. Capitalizing on splits and subdivisions among the piquetero movement and on the conversion of local leaders into distributors of labour plans, the Duhalde regime consolidated power at the national level, drove a wedge between the middle class bank deposit protesters and the unemployed, and confined the influence of the popular movements to their immediate locale. In the course of his year in power (2002) Duhalde used up all his political credibility as the socioeconomic crisis with over 53 percent under the poverty line, continued. In a shrewd move to seek to re-legitimate the political system, he called for new Presidential and congressional election for May 2003. Deep political divisions within the Peronist Party led to several 'Peronist' candidates. The extreme rightwing put up former president Menem, author of the economy's collapse in 1998, master of massive corruption and the hate object of the great majority of Argentines. His main opponent was Kirchner, a former governor from Santa Cruz province, who presented himself as the reform candidate, committed to human rights, to purging the Supreme Court, the police and other public institutions of corruption and reviving the national economy – the return to normal capitalism – even if that meant confronting the IMF.

The Kirchner Election: Defeat of the Left

The first major political defeat of the Left was in the May 2003 presidential elections. The left as usual was divided into small groups of Marxist parties who ran their perennial presidential candidates while the majority of the left called for a 'militant' voter abstention. Both factions suffered serious defeats. The electoralists got barely 1 percent of the vote while the abstentionists failed. The voter turnout was over 70 percent, the biggest in recent decades. Carlos Menem, who won a plurality in the first round, withdrew in the run-off as all the polls indicated a massive and humiliating defeat by close to three quarters of the electorate. Kirchner became President.

The Left, the piquetero leaders and the militant human rights groups totally misjudged the changing times. 'They acted.' a coal miner leader told us, 'as if they had a bucket over their heads. Hearing their own slogans reverberating they thought it was the voice of the people.'

After five years of recession leading to an economic depression and financial collapse, after 18 months of demonstrations and mobilizations in which the deeply divided and squabbling left was not able to change the political regime via extra-parliamentary action nor even to present a unified electoral programme and candidate, the mass of voters, including the great mass of slum dwellers and impoverished middle class, turned out to vote and place their hopes in Kirchner with his 'anti-establishment' image.

The Kirchner Regime and the Social Movements

President Kirchner, taking office in May 2003, continued the work plans initiated by his predecessor Eduardo Duhalde: Two million heads of household with children receive $50 dollars per month. This continues to constitute the major social programme of the government. This payment covers only one-third of the cost of the basic food basket of US$140 per month. Moreover the payment only covers 40 percent of the unemployed or underemployed. The key purpose of the work plans, from their origins to the present was never to solve the problem of malnutrition or unemployment but to 'contain' the discontent. In the beginning, the work plan programme stimulated the organization of the unemployed and demands for more work plans of greater duration than the original six-month contracts.

The 'work plans' have failed to connect with the creation of new full-time jobs and thus have 'consolidated' a permanent indigent class with no future. In the great majority of cases the 'work plans' have come under the control of authoritarian provincial governors, mayors and barrio bosses who frequently hand over the payments to local clients who are neither unemployed nor in need, to the detriment of indigent families.

The unemployed workers movement (MTD) was divided three ways: into those supporting Kirchner, those giving him 'critical support' and those who were in opposition. The pro-Kirchner sectors of the MTDs (both variants) were accompanied by the three major trade union confederations (the CTA, the CGT and the transport workers), sectors of the worker-run factories (*fabricas recuperadas*) and the major human rights groups (including the two Madres de la Plaza de Mayo, and the Grandmothers' movement).

The anti-Kirchner MTD in turn was divided into various coalitions that have frequently acted independently of each other. Sectors of the worker-occupied factories, led by the Zanon ceramic factory, are in opposition but remain largely isolated, as many of their former allies have turned to class collaborationist politics.

The deep division among the movements was visible on the anniversary mobilization commemorating the 20-21 December uprising. In December 2003, three different 'coalitions' met at rotating hours in front of the Presidential Palace: One coalition from 12noon to 2pm grouped 10,000, a second from 3pm to 5pm had 15,000 and the third group from 6pm to 8pm had 25,000. Fifty-thousand unemployed demonstrators would have been a formidable expression of force – if

it were not dissipated into three separate protests, demonstrating the weakness of a deeply divided movement incapable of even celebrating a 'turning point' in history.

The disunity of December 2003 could be considered another 'turning point', expressing the decline of a divided, partially co-opted movement. The 'normal capitalist' regime appeared to have temporarily consolidated its rule, once again attracting middle class support against the militant MTDs. The militant mobilizations were focused on 'work plans' and 'decent jobs,' which had little resonance on the once rebellious but now conformist middle classes who had recovered some of their savings. The marches through the centre of Buenos Aires do not draw any participants or applause. The former bangers of pots and pans were silent, scurrying on their way to their daily chores. The street protests in fact drew the ire of many middle class commuters and transport workers than their sympathy. A few of the leaders of the MTDs mobilised protests while preparing to run for elected office within the traditional parties.

Some of the MTD leaders, it turned out, were not unemployed workers, but rather leaders of political parties who ended up dividing the movement. Some leaders were trade union activists with aspirations to head their unions. The tiny band of self-styled 'autonomists' or 'situationists', intellectual followers of Tony Negri and the 'radical militants' of the postmodern 'Left', disappeared from the political scene, their followers joining one or another of the influential groups distributing work plans.

The movement of self-managed factories has been contained. Virtually no new factory occupations have occurred. The existing factories have come under government tutelage, and in some cases, their former Trotskyist labour lawyers no longer had influence. The most striking reversal is the virtual disappearance of the middle class neighbourhood assemblies. In some barrios, committees still meet to discuss neighbourhood problems, but the large open-air assemblies are a distant memory. More ominous, important sectors of the middle class have turned to right wing authoritarian and repressive ideologies to deal with the rising crime rates. The biggest demonstrations in Buenos Aires over the past two years was a 150,000 protest in front of the Congress against crime – almost exclusively middle class – with all the emphasis on greater repression and no mention of the immense poverty and unemployment that is correlated with crime.

During the first year of Nestor Kirchner's regime the MTDs were isolated, and some were controlled by leftwing parties and traditional party bosses. As the struggle against the regime ebbed, the internal struggles within the movements intensified. While previously divisions were based on competition between barrios, the new splits included divisions within barrios. For example one 'coalition' of MTDs includes the Polo Obrero, Coordinadora Unidad de Barrios (CUBA), MTR (one sector), and the Movimiento Territorial de Liberación (MTL). The CCC, the Combative Class Current, was another unemployed group linked to the Revolutionary Communist Party. The MTR (Martino section) was another division from the Teresa Rodriguez Movement. Even the human rights groups were

drawn along divisionary lines. The Madres de Plaza de Mayo no longer allowed their university to become a meeting place for the anti-Kirchner piqueteros, while supporting others, such as the Barrios de Pie, Patria Libre, and sectors of the MTD, Anibal Veron, which supported him.

The net effect of divisions was to weaken the attractiveness and organizational capacity of all piquetero organizations. The May Day (2004) meeting was a case in point and the result was disunity and a low turnout, as each 'piquetero' grouping 'celebrated' in isolation from the rest and attendance was only a fraction of the previous two years. Apart from personal rivalries, longstanding conflicts and tactical differences, the main division running through all the unemployed movements was political, specifically their position and response to the Kirchner regime. Interviews with a wide range of piquetero militants and leaders in the greater Buenos Aires area in April 2004 revealed a deep crisis in the movements, a sharp division in outlook on the regime, the level of militancy among unemployed workers and future political perspectives.

Two cases suffice to illustrate these political divisions: the Unemployed Workers Movement – Anibal Veron (MTD-AV) and the Teresa Rodriguez Movement (MTD-Martino). It should be mentioned that even within these movements there are internal differences and possible future divisions. The MTD-AV, like many of the piquetero organizations, began its analysis by providing an overview of the 'new situation'. They argued that the Kirchner regime was a hybrid regime of the national bourgeoisie and multinational corporations substantially different from the previous 'neoliberal' regimes. They cited the regime's progressive policies on human rights, changes in the military (retirement of 40 generals), its standing up to the IMF, support for Castro and Chávez, a review of retrograde labour legislation and its less repressive policies toward public protests. To these 'positive' assessments of the regime, the MTD-AV added a 'negative appraisal' of the then current state of mass movements. They spoke of the internal splits in their own movements, the declining numbers turning out for protests, the general 'disorientation' in the masses faced with the new regime's policies, and the 'disarticulation' of the movements as a result of regime-sponsored work plans resulting in the loss of a consensus among unemployed movements, making it difficult to struggle. As a result of these factors, the MTD-AV adopted a position of critical support for the regime, moved away from conflict and confrontation toward discussion and negotiations, mainly over the number of work-plans and local project funding. This shift in policy led to the virtual disintegration of the small 'autonomous-decentralist tendency' in the movement organised by university disciples of John Holloway and Antonio Negri. The issue of political power, more specifically, state power, and the potential economic and political benefits are key factors in shaping political attitudes among the unemployed.

The leaders of MTD-AV argued that there were three possible approaches to the Kirchner regime: The position of 'Workers Pole' (controlled by the Workers Party – Partido Obrero (PO) which claims 'nothing has changed' and continues with the politics of confrontation; the politics of conciliation and subordination

pushed by D'Elia of Matanzas and Barrios de Pie and their positions of 'political independence while avoiding confrontation and relying on negotiations' – in effect, critical support. The MTD-AV argued that, given Kirchner's 60 percent public support 'there is no basis for confrontation'. The MTD-AV argued for pressuring the government to increase the sum of the work plans from 150 pesos (US$50) to 300 pesos, and resisting the elimination of recipients. They looked to extending their organization to include temporary workers and to joining forces with unionised workers to press for 'real jobs.' that is full-time, unionized, well-paid employment.

While the MTD-AV's assessment of the degree of support that Kirchner enjoyed during most of 2003-2004 was realistic, they failed to notice the decline of popularity and growing discontent by the end of the first year. Their perception of his 'progressiveness' was exaggerated and based on their favourable relation with his regime. They emphasised his 'resistance' to the IMF, but conceded under questioning that Kirchner abided with the IMF's conditions, continued to pay the foreign debt to IFIs and proposed to at least partially pay private debt holders. Moreover, MTD-AV conceded that poverty levels and inequalities remained unchanged and the privatized strategic industries and banks remained in the hands of foreign MNCs. The MTD-AV were willing to trade-off immediate regime concessions in exchange for forsaking demands for structural changes, at least in the context of what they perceived to be an ebbing movement and a 'popular' regime.

In contrast, the Teresa Rodriguez Movement, while opposed to the Kirchner regime, was deeply immersed in an internal debate about its future course. Roberto Martino, a leader of MTR, described the conservative nature of Kirchner's regime in the following terms: 'Cuts in labour plans, the re-emergence of client politics, the breakup of the middle class-unemployed workers alliance, no plans to re-open closed factories, paralysis of social movements, high levels of poverty, support for free trade agreement with the US and the European Union, and support for privatized industries – especially lucrative oil, electricity and energy sectors – which could finance jobs and social services. In the eyes of the leadership of the opposition piquetero movements, Kirchner had 'recomposed' the national bourgeoisie, providing them with leadership and direction, while securing middle class and even some transient popular support, even among the unemployed. They cited the support that Kirchner had secured from Hebe Bonafini of the human rights group, Madres de la Plaza de Mayo who has been a powerful ethical force, providing legitimacy and reinforcing Kirchner's rule. The opposition piqueteros pointed to the middle class's 'increased repudiation of the piquetero road blockages and abandonment of neighbourhood assemblies, because of their expectations that Kirchner would solve their problems.' The piquetero opposition described Kirchner as being successful in the short-term in reinforcing 'institutional politics,' partially channelling politics from the streets to the Congress and Administration – and thus weakening the innovative assembly style democracy which emerged before and subsequent to the 20-21 December 2001 uprising.

Among the opposition piqueteros there were two lines of thought and action. There were those who viewed Kirchner as a continuation of the old politicians (Polo Obrero-Trotskyist), practitioners of the same style of street politics, and those who believed that new times required new tactics and strategies. The latter position, articulated by Martino, criticised those piqueteros 'who keep thinking it is 20/21 December 2001 and don't abandon road blockages.' He argued for 'new methods of struggle, for legitimation.' He maintained that most of the current protests are 'testimonial', since the regime knew the protesters were isolated and that sooner or later the protesters would return to their homes. He also argued that the movement could not just struggle for work plans, and called for a shift toward demanding a 'universal salary for all sectors of the working class (employed, unemployed) based on genuine jobs (stable full time employment).' This was to counter the influential regime propaganda that the unemployed who demand work plans 'don't want to work'. But this critical section of the piqueteros had no allies among the trade union confederation, and was in conflict with other critical piqueteros who continued to call for a 'general mobilization' leading to a 'general strike'.

Faced with general weakness in challenging state power in present circumstances, the MTR called for engagement in 'territorial politics to encourage the masses to engage in local politics.' Martino argued for a two-stage process of first building municipal power to later gain access to national power and productive plans in order to recover the 'culture of work'. He called for 'local self-administration and education to prepare workers for self-management.' What Martino calls for is a 'new state within the new state'. In order to move in this new direction the MTR proposed to broaden the piquetero movement to become more inclusive to include employed workers, teachers, health workers and other poorly paid temporary working sectors. Work plans, which began as legitimate demands around which to organise grassroots support based on assembly style local self-governance, in some instances turned into a tool for personal patronage of local leaders linked to the regime. Ironically the system of local personal patronage relations was justified by referring to 'horizontal structures,' an ideology popularised by the 'anti-power' ideologues.

The failure of the 'horizontalists' to achieve democratic control was in large part a result of the lack of class-consciousness ('a class for itself'), a necessary development to exercise democratic control. Democracy in the piquetero movement without class-consciousness, did not lead to a sustained assembly style political process. Instead the popular rebellions and initial militancy led to a narrow focus on immediate consumption, social dependence on local piquetero leaders and in some cases to political bosses.

The emphasis on 'autonomy' and 'spontaneity' of the piqueteros by the anti-power ideologues at the time of the rebellion was the other side of the subordination of the piqueteros to the new local regime bosses in its aftermath. Both reflected the absence of organized class-conscious political education. The absence of any strategic plan of action led to the dispersion of the movements into a reformist, collaborationist and sectarian politics.

The piquetero movement was constituted on the basis of many workers who never were employed in factories and thus had little or no sense of proletarian class-consciousness and among older workers who had been displaced from factory production for the better part of a decade. In many cases this led to 'individualistic solutions' rather than collectivist consensus subsequent to the initial rebellion.

The great accomplishment of the piquetero movement was the organization of the mass of unemployed for collective action. Its limitation is the failure to advance class-consciousness, thus creating the current impasse and fertile terrain for the re-emergence of a politics of co-optation and clientelism under the 'benign' reign of the Kirchner regime. An emphasis on municipal rather than national issues fragmented the movement into hundreds of competing groups.

While the struggle for 'work plans' was initially an important first step to ameliorate hunger and infant malnutrition, the subsequent exclusive concentration on this issue has several negative consequences. In the first instance it created an 'assistencialista' (social work) outlook among piqueteros – a dependence on minimum state transfers rather than a deeper questioning of the class nature of the state. The movements turned to militant struggles and confrontations (with street blockages, office takeovers) but in pursuit of narrow goals. With the establishment of the state-funded work plans, the piquetero movements became, in the words of Martino a 'functional organisation of the state, we became a social extension of the state – distributing the dole.' The rapid change in the means and goals of the piquetero movement needs serious critical reflections – not merely calls to 'return to the streets.'

In the current impasse between piqueteros engaged in isolated direct action or collaborationists supporting a 'moderate' neoliberal regime, a number of alternatives have been proposed. MTR-AV proposes struggling to pressure big enterprises to finance the production projects of the piqueteros – so uniting employed and unemployed workers to promote jobs, class-consciousness and solidarity. This involved self-exploitation: 'voluntary work to obtain liberation' according to Martino. The experience in Mosconi, a petroleum town where piqueteros were able to extract resources form the privatized foreign-owned petroleum companies by blocking transport, is cited as an example. Mosconi secured legitimacy by supporting the struggle for improved wages and security for employed workers and the social needs of the community thus achieving ideological hegemony, a necessary prelude to challenging for state power.

The problem in citing Mosconi is that it was vastly different from Buenos Aires and other metropolitan areas. Most of the unemployed were former petrol workers, with social, family and union ties to the employed workers in a one-industry town. This is not the case with most industries in Buenos Aires. Moreover the employed unionised workers in large-scale factories in Buenos Aires have shown little aptitude to join with piquetero struggles, let alone support demands that the companies fund piquetero projects over increased wages. The more promising strategy is to join with low-paid public sector workers in joint strikes and combine demands for jobs and better pay.

The Factory Takeover Movement

Factory takeovers by unemployed workers reached its peak between 2001-2002 with over 10,000 workers operating over 100 enterprises. That movement is all but over. The political impetus for the take over declined. Work plans absorbed some fired workers; the Dulhalde regime via its judicial apparatus violently dislodged workers from the factories. Under Kirchner, the regime intervened, convinced the workers to convert the firms into profit-oriented cooperatives in exchange for legal recognition. Most of them adapted. Many 'occupied' firms now function as sub-contractors for private firms under onerous work conditions, under the tutelage of the state. They have to meet debt payments incurred by the previous owner and/or repay loans to the state or private banks. Most have lost their political cutting edge. They no longer act as part of a movement nor see themselves as part of the class struggle. The workers who joined the takeover were acting merely to protect their job with little broader class consciousness. The leftist lawyers and activists in the solidarity movements did little or nothing to raise political consciousness, largely counting on the takeover itself (the factory occupation) to create class consciousness.

Most of those leftists have been marginalized in the cooperatives. The major and significant exception is Zanon, the large self-managed ceramic factory in Neuquen province. While many of the other worker-based cooperatives continue to operate and provide jobs, none of them retain the degree of worker management and control that remains a hallmark of Zanon. While many of the other factories which subcontract work extra hours at reduced pay to satisfy the price demands of their contractors, Zanon have added 140 new workers to their productive unit, increased production, improved quality and maintained an egalitarian pay structure between skilled and unskilled workers. Unlike other factories taken over by workers and now converted into 'cooperatives.' the workers in Zanon through sustained class struggle prior, during and after the occupation and political education have a high level of class-consciousness. The Zanon workers are a leading force in promoting the semi-weekly newspaper *Nuestra Lucha* (*Our Struggle*) and have established firm ongoing relations and mutual support with neighbouring MTD (unemployed workers movement).

The Kirchner government refused to legally recognize Zanon as a worker-owned factory, despite the compliance of the Zanon leadership with all of the legal forms required by the regime to be classified as a 'cooperative'. While the Labour Ministry had promised to take up the matter – for over a year – the judicial system has once again taken the side of the bankrupt and corrupt ex-employer, and threatens to issue a judicial order to forcible evict the workers. Former union bosses who were voted out of office, representatives of the World Bank and members of the judiciary have all backed the employers.

Zanon raises a basic question. Why is their worker cooperative the only one in the country, which the Kirchner regime has so far refused to recognize? We think the answer is to be found in the fact that in Zanon the state tutelage and

paternalistic control which is exercised over the other factories will be hard to impose given its class conscious leaders and members. Kirchner's functionaries operate like the old-style populist Peronists who observe the forms of worker representation in factories, while in practice manage control over the workers in accordance with the logic of the capitalist market. The danger to Zanon is real because the national network of solidarity, which sustained the movement, has, in part, unravelled. The Madres have embraced Kirchner as one of their own and no longer allow their University premises as a meeting ground for Zanon and its Buenos Aires supporters; the re-launching of their newspaper has encountered less than enthusiastic support form the declining and divided piquetero movements; and the intellectuals have returned to their academic duties or more 'current controversies.' While Zanon still remains a symbol of a successful alternative to capitalist management, it no longer is seen as a model to be followed by most unemployed or employed workers who have signed up for work plans or are pressing for simple wage gain.

Short-term Consolidation, Medium-term Crisis

There is no doubt that Kirchner succeeded in consolidating support for his regime, making just enough personal changes in the military, judiciary and police to legitimize failed state institutions. He acted with great shrewdness in meeting IMF conditions on budget and fiscal matters while striking a nationalist posture in resisting exorbitant demands to increase the fiscal surplus and in increasing payments to private bondholders and the cub of Paris creditors.[4] Most importantly, Kirchner divided the social movements, co-opted many key trade union leaders, pensioners and human rights leaders through minimum labour plans, some wage concessions, pension increases and by ending impunity of military officials accused of human rights crimes. In May 2004 he announced a $185 million dollar increase in pensions for 1.7 million retirees in the lowest bracket and a $35 million pay package for public sector employees who had lost ground under his wage restraint policies. In this case Kirchner responded to strike action by the State Public Employees (ATE), backed by a threat from the Confederation of Argentine Workers (CTA) of a general mobilization.

The Argentine economy capitalized on exceptional prices for its principal exports and improved taxation (up from 30 percent in 2004 over 2003) to reap a record $3.9 billion dollars. Faced with high growth of manufacturing, trade and tax revenues the Nestor Kirchner regime was able to placate middle class consumers with cheap imports, encourage expectations among millions unemployed workers with several thousand new job openings and secure the acquiescence of several important piquetero leaders.

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4 The period 2003-2008 of the 'presidential couple' (the Kirchners) corresponded to the period with the greatest payments on the external debt, the legality of which was not questioned or discussed.

The time of popular rebellion against the ruling political class has temporarily passed. By the middle of 2004 several new sets of contradictions were emerging concerning Kirchner's macroeconomic policies. The organized workers and employees demanded substantial wage increase to overcome losses from frozen reduced salaries. Households are protesting Kirchner's granting rate increased to private foreign-owned power and energy corporations. Kirchner's continued support for foreign-owned (mainly Spanish) petrol and energy companies led to a major energy shortfall, a partial shutdown of factories and sharp increases in rates to consumers. Caught between his neoliberal pro-foreign capital commitments and the growing popular outcry at the unscrupulous price gouging of these same companies, Kirchner faced his moment of truth in April 2004, when industrial activity declined by 4 percent over the previous year due to energy shortages. Thousands were fired.

As some of the more astute piquetero leaders recognize, the political conjuncture has changed, and yet the movements have neither prepared for it either politically or organizationally. What emerges from the extended and massive popular rebellion is that spontaneous uprising are not a substitute for political power. Too many academics and political commentators failed to probe deeply into the inner strengths and weaknesses of the impressive but momentary social solidarity. There was little in the way of class solidarity that extended beyond the barrio; and the left parties and local leaders did little to encourage mass class action beyond the limited boundaries of geography and their own organization. Even within the organizations, the ideological leaders rose to the top not as organized expressions of a class-conscious base, but because of their negotiating capacity in securing work plans or skill in organising. The sudden shift in loyalties of many of the unemployed – not to speak of the impoverished lower middle class – reflected the shallowness of class politics. The leaders of the piqueteros rode the wave of mass discontent; they lived with illusions of St. Petersburg, October 1917, without recognizing that there were no worker soviets with class-conscious workers. The crowds came and many left when minimum concessions came in the form of work plans, small increases and promises of more and better jobs.

The process of movement domestication is located in a number of regime strategies executed in a timely and direct style. Kirchner engaged in numerous face-to-face discussions with popular leaders. He made sure the best work plans went to those who collaborated while making minimal offers to those who remained intransigent. He struck an independent posture in relation to the most outrageous IMF demands while conceding on key reactionary structural changes imposed by his predecessors, namely the lucrative privatized ex-public firms. Lacking an overall strategy and conception of an alternative socialist society, the mass of the movement was easily manipulated into accepting micro-economic changes to ameliorate the worst effects of poverty and unemployment, without changing the structures of ownership, income and economic power of bankers, agro-exporters or energy monopolies.

State power was never seriously contested. It became a declaratory text raised by sectarian leftist groups who proceeded to undermine the organizational context in which challenge for state power would be meaningful. They were aided and abetted by a small but vocal sect of ideologues who made a virtue of the political limitations of some of the unemployed by preaching a doctrine of 'anti-power' or 'no power' – an obtuse mélange of misunderstandings of politics, economics and social power (Besayag and Sztulwark, 2000; Colectivo Situaciones, 2001; Holloway, 2002; Negri, 2001). For the rest, the emergent leaders of the piqueteros, engaged in valiant efforts in raising mass awareness of the virtue of extra-parliamentary action, of the vices of the political class but were not able to create an alternate base of institutional power that unified local movements into a central force to challenge the state.

Clearly lacking was a unified political organization (party, movement or combination of both) with roots in the popular neighbourhoods capable of creating representative organs to promote class-consciousness and point toward taking state power. As massive and sustained as was the initial rebellious period (December 2001-July 2002) no such political party or movement emerged. Instead we have a multiplicity of localized groups with different agendas soon fell to quarrelling over an elusive 'hegemony', driving millions of possible supporters toward local face-to-face groups devoid of any political perspective.

Clearly the slogan 'Que se Vayan Todos' ('Away with all Politicians') which circulated widely among those recently engaged in struggle, turned out to be counterproductive as it further delayed or short-circuited the necessary political education which an emerging political leadership required to deepened long-term mass engagement in revolutionary politics. Nonetheless the uprising of 20/21 December 2001 stands as a historic reference point for future struggles and a warning to US imperialism, the IMF and the local ruling class that there are limits to exploitation and pillage. Moreover the methods of extra-parliamentary action clearly were superior in ousting corrupt and abusive rulers than the electoral parliamentary-judicial processes.

By the end of Kirchner's first year in office (May 2004) the piquetero movement re-emerged as the main opposition. In early May 2004 the mass movement returned with new allies, employed unionized workers and new programmatic demands. These mobilizations included the blockage 148 roads, highways and bridges throughout the country with over 80,000 demonstrators. The principle demands centred on more work plans, a raise in the subsidies from 150 pesos (US$50) to 350 pesos (US$117) and opposition to state control and distribution of the work plans for the unemployed workers. Together with public employees, they called for increases in salaries for all state and private workers and an increase in pension payment for retirees. Equally important all the piquetero groups were protesting judicial rulings outlawing street blockages. Road blockages were accompanied by a march through the city and protests at the headquarters of Repsol-YPF (the Spanish multinational petroleum company which bought the former state petroleum company) expressing popular repudiation for the increases in fuel prices and

demanding a 'social price' for tank of household cooking gas. The marchers also demonstrated in front of federal courts, protesting the court ruling condemning road blockages. Apart from Buenos Aires, road blockages took place in the provincial capitals of Jujuy, Salta, Tucuman, Santa Fe, San Juan, Mendoza, Chaco, Entre Rios, Corrientes, Misiones, Chabut and Rio Negro. The day of struggle in early May 2004 was the first since the courts criminalized road blockages. An order by the Buenos Aires Minister of Security to 'clear the roads' was not implemented given the size of the demonstration. Many piquetero movement participated in the demonstrations, including the Bloque Piquetero Nacional (National Picketeer Bloc), led by the Workers Pole (Trotskyists), the Movimiento Independiente de Jubilados y Desocupados (The Independent Movement of Unemployed and Pensioners) led by Raúl Castells and the Corriente Clasista y Combativa (Combative Class Current), formerly critical supporters of the Kirchner regime. In addition the state employees unions joined the demonstrations and road blockages despite obstructionist efforts by the pro-Kirchner trade union bureaucracy. During the third week of May 2004, the subway unions convoked a national assembly to launch a movement for a six-hour working day – to create jobs for the unemployed.

These renewed protests launched jointly by unemployed and employed workers however are offset by the decline of autonomy and increased vulnerability of the 'occupied factories.' Two symbolically important factories, Brukman (a clothing manufacturing plant) and Grissinopoli (a breadstick producer) passed from workers control to state management, while the worker-run ceramic factory Zanon face an imminent police-enforced order of eviction. The piquetero movement, despite continued organizational divisions, still demonstrates a strong capacity to mobilize and convoke tens of thousands of militants on the basis of tactical alliances. The renewed activity is linked to piquetero organizations, which maintain an independent class perspective in relation to the Kirchner regime. Those groups which have taken a position of collaboration, critical or not, have become enmeshed with the state and have become politically and organizationally incapable of responding to the rising discontent among unemployed and poorly paid employed workers.

The initial ten months of Kirchner's reign was a period of high expectations among the populace. The hope that better days were ahead has worn off. The subsequent US$50 raise in monthly salaries for the lowest paid public employees and pensioners still falls short of rising fuel, energy and electrical prices which Kirchner has generously granted to the privatized MNCs.

Kirchner's pursuit of 'normal' national capitalist development has revealed its structural weakness in the face of the energy, gas and electrical crises provoked by the foreign-owned MNCs. After years of exorbitant profits the MNCs made little or no investments in new oil pipelines, infrastructure or exploration to meet rising demands. In the present period they have lowered output in the generator plants by closing them for 'maintenance.' The MNCs created an artificially acute 'shortage' of energy blaming government regulations. Moreover the original privatization contracts gave them 54 percent retention of petrol and gas to dispose as they wish

resulting in lucrative overseas export trade deals with Chile, Uruguay and Brazil but further limiting supply to Argentine industrial and household consumers. Faced with corporate blackmail and after engaging in a bit of populist rhetorical demagogy by criticising the MNCs, Kirchner caved in and granted the price increases. In an apparent move to pacify nationalist opinion Kirchner promised to launch a state petroleum company, which would construct the infrastructure to facilitate the private exploitation and commercialization of energy and petroleum.

Kirchner's 'populist theatrics' had less effect over time as consumers began to directly experience a decline in real income in a context of a sudden and steep increase in prices. The net result of the MNC-induced 'energy crisis' is layoffs and plant shut downs (increasing unemployment and lowering wages) while increasing the number of impoverished household, literally living in the cold. While the collaborationist 'pragmatic' piquetero organizations gained short-term and limited favours (addition work plans, local appointments, small scale financing) Kirchner's embrace of the privatized monopolies, continued debt payments and restrictive budgeting policies has prejudiced the poor over the medium-term. As a result the axis of piquetero politics has moved from the 'pragmatic collaborationist' leaders incapable of responding to the energy and income crisis to the more militant class-oriented piquetero leaders and organizations. Foreign capital located in the strategic sectors of the economy dictates the costly terms under which national capital function. The hard currency earnings to finance national capital depend in volatile commodity prices. Both structural factors tend to inhibit any possibility of sustained national capitalist growth. Add to this the high propensity of 'national capital' to send their profits abroad and to invest in speculative activity in Argentina and it is easy to understand the resurgence of an Argentina crisis.

The first wave of mass mobilization, from January to July 2002, generated the piquetero movement and the capacity of the unemployed workers to engage in mass direct action. This created a degree of class-consciousness among hundreds of thousands of activists in the poorest barrios. The ebbing of the movements (August 2002 to May 2003) coincided with the regime sponsored US$50 work plan, the internal strife among the piquetero groups and the hopes of an electoral solution via Kirchner. The retreat deepened during the first year of Kirchner's term of office (June 2003-April 2004) as he successfully co-opted a substantial proportion of piquetero leaders through their incorporation in the state apparatus and financing of small-scale projects and symbolic gestures. However, the initial enthusiasm for Kirchner gave way to a wave of strikes and protests. The impoverished workers realized that work plans had not led to real jobs with liveable wages – that local projects do not solve the problems of low wages, rising prices and malnourished children. Discontent began to surface by early March 2004 as small contingents of workers restarted road blockages and large-scale confrontations took place in the provinces between corrupt authoritarian pro-Kirchner governors and public employees, the unemployed and human rights supporters. By May 2004 dissatisfaction over Kirchner's energy price hikes, frozen salaries and 20 percent disguised (work plans) and open unemployment erupted in organized street action.

The key factor in this rebellion was the temporary and fragile convergence of demands between the low-paid public and privately employed workers, energy consumers and the unemployed. The defection of the 'middle class' to the right (once they recovered their savings), which led to the temporary isolation of the piqueteros, could be compensated if a new coalition of unionized workers and the unemployed gained firm footing.

Kirchner was compelled to make some concessions to divide this burgeoning coalition, especially via the collaborator trade union bosses. However his margin to 'divide and conquer' was limited by the end of the favourable international prices for Argentina exports. He could no longer count on the support of workers with future expectations of jobs and increases in the standard of living – the 'future' was coming due. Current realities no longer allowed the one third of Argentineans still living in poverty to believe that they were destined to share in the country's recent good fortunes. With the big economic groups and the major agro-exporters pressing for – and receiving – an ever greater share of export earnings so as to improve their international competitiveness Kirchner lacked the financial resources (or at least the political will) to simultaneously pay the debt, raise wages, create jobs and reduce poverty. Thirdly he demonstrated his commitment to sacrificing local living standards and growth to meet the profit demands of the energy multinationals – and Cristina Kirchner, it would seem, is on the same policy and political track.

New Times: Changing Economic and Social Conditions

As of 2003, Argentina has experienced a steady economic recovery with rates of growth oscillating around 8-9 percent annually – the fastest rate of growth in the region – ending thereby one of the deepest economic crisis in the country's history. This growth was led by the primarization of exports, which is to say, the most dynamic sectors involved the export of 'primary products' – oil, soya, etc., sectors that experienced explosive rates of growth in the new times (ECLAC, 2008). The facts are plain enough and the statistics clear. However, the meaning of these facts is far from clear.

To decode the statistics and grasp the underlying political dynamics we need to make sense of the following developments associated with the trend towards economic recovery. First, the recovery from the 1998-2001 crisis has been categorical: the GDP grew at an accumulated rate of 52 percent from 2002 to 2007 – at an annual rate averaging close to 8 percent. This growth was reflected in, or led to a 31 percent increase in employment (exclusive of make-work plans) while purchasing power capacity of wages reportedly (there is considerable dispute on this point) increased by 28 percent. It seems that there was a notable improvement in the quality of jobs generated in the growth process – a substantive growth of paid employment in the formal or structured sector of the urban economy.

Second, economic growth has been highly concentrated and skewed towards big capital and high-income social sectors. For example, in 1997 the sales of the 200 largest corporations in the agro-industrial sector accounted for 31.6 percent of GDP; in 2005 it accounted for 51.3 percent of sales, a dramatic increase – and concentration in the profits of growth. Of these corporations 52.5 percent were foreign-owned in 1997; in 2005 foreign ownership of this small cluster of corporations dominating the economy in the agro-export sector was 64 percent (Lozano, Rameri and Raffo, 2007).

Third, this concentration of capital was accompanied, by, if not based on, a shift of income from labour to capital, reflected in a decreased share of the latter on national income: from 1993 to 2000, eight years into the Menem reforms and two years into a deep crisis, the share of wages dropped from 43.9 to 38.2 percent; by 2001, a year of financial crisis, it dropped another 9.4 percentage points; and a year later another 2.5 points (to 26.6 percent) before climbing back gradually to 30.8 percent in 2006 (Atzenio and Ghigliani, 2008).

Fourth, the recovery in output and jobs has been very uneven in its social distribution. By 2005, two years into the primary commodities boom and economic recovery, social conditions had not recovered pre-crisis levels. GDP per capita (in constant or real terms) was 11/8 percent above the level achieved late 1997 but the unemployment rate was still 2.4 percent higher, implying an additional 375,354 unemployed. Also, by some accounts, the poverty rate had risen in the process – 35.7 percent higher in 2005 than it was in 1997 – implying an addition of some 4.2 million to the poverty count and an additional 2.7 million in the number of indigents. The average income of employed workers had fallen in real terms by 15.8 percent.

Fifth, in addition to the fall in the share of labour in national income, the social distribution of household income had deteriorated significantly: the ratio of the income received by the richest and poorest households increased from 22.8 to one in 1997 to 31 to one in 2005 – a 36 percent increase. The mass of labour income (wages) represented 25.8 percent of the total in 1997, but only 22.3 percent in 2005, a fall of 13.6 percent in the participation of labour in national income.

Finally, while the 2003-2007 period of rapid growth did see a significant fall in the official poverty rate – from a high point of 51.7 percent in 2003 to a low of 23.4 in 2007 – but even so the number and percentage of Argentineans below the poverty line had substantially grown. This 'development' – increased disparities in income distribution combined with a reduction in the poverty rate – paralleled a trend in Chile and Brazil, giving some apparent support to the argument of World Bank economists and others that increased inequalities in the distribution of income – a general trend – does not necessarily translate into more poverty.

The dynamics of this issue warrants a closer look. For one thing, there is a critical urban-rural dimension to this trend. In the 1990s, region-wide there was a trend towards poverty alleviation – especially in relation to the destitute but De Janvry and Sadoulet (2000) argue that this was not the result so much of 'pro-poor' development policy but as rural to urban migration. Also, most of the 'notable

success' regarding poverty was due to several pathways out of rural poverty (especially migration and urban labour) available to and taken by the landless rural workers in Brazil, as well as some government programming in the area. If we take Brazil out of the equation a different trend emerges. In any case, it appears that in the new millennium, under conditions of the post Washington consensus, which implies specific 'pro-poor' measures to mitigate the policy effects of neoliberal policies, that social inequalities generally increased while poverty rates rose in some contexts and fell in others.

There is some controversy about this issue in that to a significant extent the improvement seems to be more of a statistical artifice than the effect of development policy. In any case, in turns out that the case of Argentina high growth rates did not result in any substantial improvement on the social front. On the contrary. It appears that most of the benefits of growth were appropriated by capital (decline in the participation rate of wages imply a corresponding increase in the participation rate of capital …) and the better-off strata of the population. The middle class, by all accounts has been squeezed … and the situation of the working classes deteriorated, as reflected in the failure of the wage to keep up with the rate of growth and inflation and also in recent political developments within the working class. Although the government portrayed the last years before the outbreak of struggle in the rural sector as 'harmonious', with all sectors participating in the economic turnaround, political developments suggest otherwise. The last months of 2004, for example, close to two years into an economic recovery and a primary commodities export boom, the country experienced a wave of labour conflicts, which in the subsequent year, despite all efforts to keep a lid on the labour pot, turned into a cascade: 2005 turned out to have the highest index of labour conflict over the last twenty-five years (Atzeni and Ghigliani, 2008).

This development was not just a political reflex of increased growth. It reflected important organizational developments within the working class – most significantly the unification of the labour movement. Also, the 2001 crisis, and devaluation which resulted in a serious decline in the purchasing power of the wage galvanized the working class to improve its economic situation and recover some of its lost organizational capacity under the double onslaught of capital and the state.

According to the Ministerio de Economía, the accumulated rate of inflation since the 2001 devaluation (up to 2004) was 53.6 percent, which compared with nominal wage increases of 34 percent (real wages actually fell, as we saw above). The nominal wage improvements were the results of minimum wage legislation, government decreed wage adjustments for public sector workers, and private sector labour negotiations.

The road tractor-blockades and associated mobilizations of the associations of small and medium producers since March, together with (according to the government) market forces, created serious food shortages and resulted in a price hike of basic foodstuffs such as grain, bread and milk on the local market as well as contributing to a rising price of grains on the world market. Under these and

other such conditions and manifestations of discontent and protest the producer-led mobilizations translated into the most serious political crisis confronted by the Cristina Kirchner administration. One condition of this crisis was the failure of the government to differentiate in its export tax policy or income grab between the small number of large companies that dominate the export of soya and receive most of the income gains from agro-exports and the tens of thousands of small and medium producers, many of whom are in fact in a precarious economic situation. The government, of course, was all too aware of the difference between the two sectors of producers and indeed over the course of the four-month conflict it became 'very clear that we [the government] have to distinguish between the small producers and the large producers that concentrate the bulk of production and rural property'. In this connection, the Ministerio de Economía has calculated that soya exporters producing up to 500 tons account for 80 percent of the total number of producers while 20 percent account for 80 percent of production and 2.2 percent of these account for 46 percent of the total harvest.

The main complaint of the soyeros is that the government's policy of 'retenciones' (deductions at source against profits on export sales) is an unfair and excessive tax on sales (and for them on income), undermining their belated efforts to share in the ups as well as the downs of the market. But according to the government, the boom in soya export production from 2003 to 2007 has undermined the domestic economy and that in any case profits on export sales in the sector continue to rise. A spokesman for the government noted that the boom in soya export production generated negative effects in agricultural sector manifest in a significant reduction in the production of corn, wheat and milk, and that this in turn has added a highly combustible fuel to the cost of food for the urban working and middle class that constitute the bulk of the domestic market.

The two sides – the government and the 'ruralistas' (our major organizations of agricultural producers) – first squared off in March, just days upon the government's announced policy and ongoing at the time of this writing (25 June). But in response to the growing pressures from the agricultural producers in the small and medium petit-bourgeois sector, seeking to end the paralysis in negotiations, the government of Cristina Kirchner on 29 May announced an adjustment to its policy, seeking thereby to undermine the unity of the four groups that had come together to fight the government on its policy. The tax rate imposed by the government on exports of soybeans was pegged to its world market price. Within the price range of US$600-750, the tax imposed on 11 March had been 58 percent but the government proposed dropping the 'retención' rate to 52.7. In the case of maize, the proposal was to drop the tax rate from 53.8 to 45 percent; in the export of sunflower, assuming a price of US$900, the tax rate would drop from 59.1 to 52.7 percent and the wheat from 46 to 41 percent. The announced change in policy followed a government decision not to engage the protestors in a dialogue, particularly with the head of the Federación Agraria de Entre Rios, who, together with other leaders of the four major organizations (La Sociedad Rural, the Confederaciones Rurales Agrarias, Conninagro and FAA, the Agrarian

Federation) in the forefront of the conflict, at a 25 May assembly of 200,000 supporters, De Angelis, head of the Federación Agraria de Entre Rios and leader of the assembly, was accused by the government of fomenting a coup. The object of the government's announced adjustment to the tax clearly was to divide the four producer organizations united in resistance against the export tax rate.

The 'ruralistas' in turn responded by announcing another new round of mobilizations in the form of demonstrations, 'tractorazos' (tractor blockades), 'campamentos' in the interior and direct pressures on congressional deputies, who were led by the government to debate the issue, to resolve it not on the streets but in a democratic institutional framework.

Class Struggle in the Countryside – The Government versus the Left

The political conflict and class struggle in the countryside generated political divisions on the Left, provoking debate as well as intellectual confusion, a confusion that reflects on the lack of class analysis not only in academe but in the trenches of leftist politics. By lumping together all manner of small, medium and large-scale agricultural producers, entrepreneurs and companies, the intellectual and political left in the struggle appeared to be disoriented, uncertain as to who the protagonists were, who the enemy was, and what forces would be able to advance the struggle and the political programme needed to do so.

For some of the Left the issues were clear enough. 'We march today in the Plaza de Mayo to demand that the "retenciones" from the small producers, the "chacareros", be lowered and that they be increased for the oligarchic landowners, "los terratenientes", as well as the agribusiness owners'. These elements of the left, which includes the MST, the IS and PCR, a class distinction is made between the 'small producers',[5] whose struggle warrants political support, and the large oligarchic and fascistic landowners, capitalist entrepreneurs and big exporters,

5 The term 'small producer' in the context of the ruralist struggle was widely presented and used in a way that served as much to hide and confound an understanding of the dominant relations of production in the countryside permit a clear understanding and appropriate class politics. For one thing, as Katz (2008) observes, leading protagonists in the struggle who vindicated the demands of the 'small producer' are better described in terms of a recently formed strata (small and medium) of the capitalist class. The term 'small producer' confuses the old 'arrendatario' exploited by the latifundistas with small and medium landholders and producers, many of whom rent land and contract labour. And are able to cultivate soy because of the relatively low inputs of capital and technology required (compared to wheat or corn). The term 'small producer' is better used to categorize the owners of smallholdings of land (50 to 60 hectares) in zones that are beyond the margins of the soya boom and not engaged in the current struggle. It would also apply to peasant producers who have reverted to family-based subsistence or local production on land lots of 5 to 20 hectares. This sector of small producers do not cultivate soya but fruit, vegetables, sugar cane, tobacco or mate; on the contrary they are victims of the expansion of soya production.

many of whom are in fact tied to the government in a system of 'crony capitalism' (un capitalismo de amigos), who are 'the enemy'.

At the same time many on the Left, including those who in 2001 supported the 'popular assemblies' and the middle class struggle to recover their savings, assumed a posture of non-support or opposition to the ruralists ('el campo') in their struggle, viewing them by and large as reactionary. In fact, a part of this Left, including the Communist Party of Argentina (PCA), aligned itself with the government by lumping the 'small producers' or 'chacareros' with the rural oligarchy and agribusiness (Grobo, Dreyfuss, Cargill, Monsanto …), viewing the 'paro agrario' as little more than an internecine capitalist struggle or, as the government has presented it, as a concern to profit themselves at the public expense. In this category, for example, we find some of the hitherto radical 'madres de la Plaza de Mayo's Hebe de Bonafini', who on 1 May, made a symbolic gift of her white headscarf to 'Cristina', as well as D'Elia, former piquetero but now in Kirchner's corner, and the Movimiento de Trabajadores Argentinos (MTA), whose leader, Hugo Moyano, is at the head of the reunified labour movement in the form of the Confederación General del Trabajo.[6] Also in this category of co-opted individuals and groups are the '600 intellectuals' who, in the context of the ruralist struggle, were instigated by Horacio González, now Director of the national Library and Horacio Verbitsky (*Pagina 12* and CELS – Centro de estudios Legales y Sociales) to sign an 'open letter' in support of the government.

On this point, it is true enough that the 'rural strike' (the tractor blockades) was incited by the big property owners of Sociedad Rural (SR), among the worst of the oligarchy, and 'golpistas' of the first order one might agree – sworn enemies of the working class. Also, it appears that for one reason or the other (see Katz, 2008 on this) the 'small (and medium-scale) producers' that protagonized much of the struggle against the government and its policy of 'retenciones' (extra tax at source on export sales) in fact entered into a form of alliance with the landed and rentierist oligarchy and the agrarian bourgeoisie, represented by the Sociedad Rural (SR).

However, what was initially going to be a 48-hour protest turned into possibly the most significant agrarian strike since the Cry of Alcorta in 1912 that did indeed engage a broad swath of small producers in the countryside. The 'agrarian strike' maintained on and off for some four months before being settled via Senate resolution against the government's policy engaged the active participation of tens of thousands of small and medium-sized producers, some of whom arguably are closer to the peasantry than the World Bank's 'agricultural entrepreneurs'. In any case, in the view of some on the left nothing was to be gained by pushing these small and medium sized producers even closer to the reactionary SR and the class interests represented by it. Also, the Agrarian Federation, which, together with various other rural associations, mobilized the blockades did not as claimed by the

6 A third part of the left, including the Frente Dario Santillan, PTS and PO, refused to support either the ruralists or the government.

government have a history of 'golpismo' – out to overthrow it. De Angelis, leader of FA-Gualeguaychú, noted in his polemic with Cristina de Kirchner, the FAA in fact participated in the multi-party opposition to the military dictatorship and its dirty war in the 1970s.

The principal demand of the ruralists or chacereros was a reduction of the 'retenciones' (deductions at source), in connection to which they argue the need to differentiate them from the oligarchic big producers and capitalist entrepreneurs and agribusiness operators. But in the course of the struggle other demands from other rural sectors were been added even though some analysts such as Katz (2008) emphasize the fact that the self-categorization of the protagonists as 'small producers' was highly misleading and served to obfuscate a more serious class division in the countryside. The ruralist struggle in this connection, as emphasized by Katz, clearly was not based on a conflict between capital and labour; nor was it a strike of rural workers or landless indigenous 'peasants'. Thus, instead of directing the struggle against the miserable conditions and super-exploitation of employed and unemployed rural workers, the ruralists-in-struggle defined the issue in terms of their right to share in the benefits of the primary commodities boom – a right of private property, albeit small or medium in scale.

Another critical and complicating factor, a fundamental political fact for the left, was that the government has behind it and is on the side of some of the biggest landowners and soya exporters, agribusiness monopolies in its domestic and foreign contingents. It is not coincidental that capitalist agribusiness operators like Grobocopatel, Dreyfus or Monsanto, the 'king of soya', aligned themselves with the government in the 'agrarian strike'. They had good reason to assume that when the dust settled they would be able to acquire land and production presently owned by the small and medium 'chacareros', even some of the old pre-capitalist proprietors when they were ready to throw in the towel, defeated by the requirements of commercial agriculture on the world market as well as government policy.

These elements of the class struggle were complicated or confusing enough for the left, unable to clearly decide what was at issue in the struggle. For example, it was the case that in the 'cacerolozas' – in Argentina the classic middle class form of struggle – some sectors in the struggle and the agrarian strike railed against Fidel and Chávez, and were concerned not with the appalling conditions experienced by workers in the countryside but with benefiting personally from the exploitation of Argentina's riches. However, it was also the case that in the Plaza de Mayo could be found the sons and daughters of many small- and medium-sized producers studying in Buenos Aires, who were not only sympathizers of the rural struggle but concerned with class issues such as inflation and low wages – and open to more radical change. That is, in some ways, the struggle against the export tax bore some resemblance to the 2001 crisis and the protest actions of the middle class against the appropriation of its savings. In that context, the left had not hesitated to support the middle class or to engage the middle class in its struggles.

The agrarian strike was not the first time that the bourgeoisie or reactionary forces had unleashed or promoted a popular social movement for its own ends. Even so, it could be argued – and was by some – that the left could and should have taken advantage of any available class contradictions and opportunities for separating the middle class from the forces of reaction on the right. In this context it was argued that he fundamental issue for the left was to support the ruralist struggle and to oppose a government that was undoubtedly in the service of multinational and national capital as well as elements of the rural oligarchy, the big economic groups that dominate the economy and monopolize agro-exports. These elements of the dominant class need or demand the support of the government in forms such as the subsidies that were to some extent derived from the 'retenciones'. These 'retenciones' in fact, had the government's policy regarding them not been defeated by the Senate, most likely would have been used not just to balance the budget but to subsidize the big economic groups, the agro-industrialists, many of whom are solidly in Kirchner's camp. And why not? They are the very same recipients of the huge subsidies that the government has distributed to the rural sector in the 'public interest' and in the pretence of support for the rural sector of the general population.

In retrospect it could be argued that the Kirchners attacked the oligarchs of Sociedad Rural but not from the trenches of the small producers or the working class; rather, it was from the office of the Elsztain investment fund in Puerto Madero.[7] To understand the relation of the Kirchners to the 'patria sojera' it is enough to know that the office from which Nestor Kirchner has conducted his and his wife's affairs is owned by the Cresud family, one of the most important agribusiness sojeros in the country. These oligarchs did not need the agrarian strike or the tactic of blockading the highways to advance their interests. They can count on 449,990 hectares of their own land, 162,000 of which is cultivated with exported grains (mostly soya), as well as more than 90,000 cattle.

These modern or capitalist (as opposed to oligarchic) landowners, together with the monopoly operators of big business in the strategic privatized sectors of the economy (oil, soya, fish, industry, banking and other services) are the true owners of the country. They are also the true beneficiaries of Kirchner and her government's anti-worker, anti-popular and pragmatic neoliberal policies. She announced from the Casa Rosada that in 2007 the state 'had transferred more than US$500 million in the form of subsidies to the agricultural sector' (aimed at stabilizing domestic prices for the products). What she did not point out was that the bulk of these subsidies were directed towards and designed to benefit not the mass of small producers but the small cluster of large producers and multinational

7 The policy of increasing the retenciones for the sector as a whole, including the 60,000 small producers and a small number of agribusiness monopolies, was made by the president in the Kirchners' office in Puerto Madero made available for free by the country's biggest landowner Eduardo Elsztain, owner of CRESUD. In the middle of the 'paro agrario' an addition of US$288 million in capital from his American partners to purchase more land.

enterprises that by the government's own calculations monopolize 80 percent of production as well as the distribution of seed, fertilizers, and exports.[8]

Behind the government's policies, and benefiting from them, are not 'the people' but a handful of oligarchs and capitalist enterprises, both local and foreign.[9] Twenty of these 'private enterprises' received 81 percent of the subsidies to the agro-industrial sector. Just five mills connected to these enterprises received 319 million pesos to maintain the price of wheat (although it turns out that the price of bread on the domestic market rose by 30 percent after the subsidies. The companies that monopolize the distribution of milk and its derivates received another 319 million and the aceiteras another 279 million. Of the latter, the greatest beneficiary turned out to be General Deheza, property of the Kirchnerist Senator Córdoba Urquía, a key member of the 'puta oligarquía' so 'hated' by the former piquetero D'Elia, now transformed into one of the biggest enterprises in the sector. Thus, while the government, D'Elia and others on the centre-left continue to pour abuse on the 'puta oligarquía', Kirchner continues to hand out subsidies to the oligarchs and capitalists, none of whom have to confront, and thus do not, the precipitous increase in the costs of basic foodstuffs and the erosion of the consumption or purchasing power capacity of a large part of the working population, heading towards what might well turn out to be a major food crisis.

Lessons from the Class Struggle

The first lesson left for the left by the four-month struggle of the ruralists against the government is the need for a more detailed and politically precise class analysis.[10] The ruralist agrarian bloc that protagonized the four-month agrarian strike managed to define for much of the left and advance the struggle in terms of the rights of

8 In the face of the strike the biggest landowners such as Werthein (100,000 hectares) and Eurnekian (40,000 hectares) and agribusiness operators (Repsol, YPF, etc.) 'moriran de ganas de arreglar con el Gobierno' (www.iade.com.ar, 19-03-08). Thus, the conclusion of Eduardo Azcuy Ameghino that the government would 'not only not segment the retenciones (differentiate among classes of producers)' but will end up 'apoyándose en los grandes'.

9 Land ownership for agro-export production includes: Adecoagro (the Soros group): 200,000 hectares; Grupo Bemberg: 143,000 hectares; Grupo Werthein: 100,000 hectares in Buenos Aires province; Los Grobo: 17,700 hectares of its own and another 100,000 exploited under a lease arrangement; LIAG Argentina SA: 120,000 hectares; La Biznaga SA (Ledesma SA): 50,000 hectares; Amalia Lacroze de Fortabat: 140,000 hectares, mostly in BA; el former officer of UIA, Jorge Blanco Villegas: 26,000 hectares; industrialist Reyes Terrabusi: 25,000 hectares; traditional oligarchist and SRA leader, Luciano Miguens, who possesses 2,200 hectares in the richest zone of Buenos Aires province.

10 This postscript summarizes conclusions drawn from our review and analysis of political development in Argentina. It also draws on the class analysis of Claudio Katz in a brilliant exposition of the class politics in the ruralist struggle ('El agro-capitalismo de la soja,' 27 July. Rebelión online archive accessed 30 July 2008).

private property (to share in the profit-making process) rather than the more crucial capital-labour relation. The intellectual and political consequences of this are not clear but they certainly include the failure of the left to properly identify the class forces engaged in the struggle and to diagnose the condition of the working class. Instead of focusing on the relations of class exploitation and oppression, even slavery, that dominate and define the countryside, under the miserable conditions of neoliberal capitalist development and agrarian transformation, and coming together in the struggle against these conditions, the left was and remains seriously divided, and rendered politically impotent.

Another complication, adding to widespread confusion on the left, is a curious aspect of the ruralist struggle that was not understood – or might not have been were it not for Katz (2008): the tenuous alliance that had formed between the Federación Agraria, representing the big soya producers, the agrarian oligarchy and the reactionary right (Martínez de Hoya, etc.); and Sociedad Rural, representing the interest of small and medium sized producers. Instead of directing their fury against their real enemies, the rentiers and contractors who charge them exorbitant prices to rent the land, and the agribusiness agrarian capitalists who are making huge fortunes at their expense, the small and medium producers directed it against the government, and they did in a misplaced concern for 'a way of life' as well as legitimate concern to share in the social product. As Katz notes it would have made more sense to challenge the government in its neoliberal IVA, a much more effective attack on their class interests than the government's proposed tax on windfall profits – a tax that, Katz argues, is defensible in the public interest.

As Katz (2008) points out the small and medium producers in the agrarian sector might be or would have been better served by allying with the workers in their class struggle and turning their fury against their class collaborators – the big sojeros, the oligarchy and their agribusiness associates – many of whom, as it happens, are aligned with the government against which they have directed their struggle. Of course, this would be a difficult 'sell' inasmuch as Katz's own class analysis explains more or less why the ruralists-in-struggle formed the alliance that they did.

It turns out that with the refusal of the Senate to back the government in its policy of 'retenciones' the ruralists managed to achieve what they had defined as their essential demand: to ensure the retraction of the increase or moving tax peg and return to a fixed rate – 35 percent as it turned out. All of the social product warehoused in the context of the four-month strike, will now be sold at higher market prices but taxed at this uniform rate – releasing for distribution among the producers US$1.3 billion of surplus value. The immediate beneficiaries, however, will not be the mass of small and medium-sized rural producers but the big exporters whose financial gains will be taxed at a lower rate than it would have been under the government's proposed law.

At the same time, many of the small and medium sized producers, those 65 percent of the total who produce less than 750 tons, will end up paying a higher rate of tax on sales. The producer size differentiation of the export tax demanded by

the ruralists and that would have been incorporated into the law is now buried with it. This is a loss and defeat for the small producer standardbearers of the struggle, the small producing class that in its 'victory' will turn out to have subsidized the large producers. The working and middle classes in the meantime have been marginalized in the struggle and forced to adjust to a situation of rising inflation that is eating into the purchasing power of their wages and income, reduced access to health and educational services, and a general deterioration in their living and working standards – in a context of the highest rates of economic growth in the entire region.

Chapter 4
Bolivia: Class Dynamics and Regime Politics

In Bolivia as elsewhere in Latin America the third millennium opened with substantively new economic and political conditions and developments – developments for new times, characterized by (among other things) by the emergence of 'the new left'. But unlike the situation in most other countries in the region, the new Bolivian left took shape under conditions of widespread, actively mobilized resistance, class struggle and social movement activity. In Argentina conditions of a deep economic crisis that were entrenched in a decade of neoliberal reform under Carlos Menem, translated into a major political crisis and the emergence of a new social movement of unemployed urban workers (los piqueteros) and the subsequent emergence of a regime compelled by circumstances to move from, if not beyond, neoliberalism towards the left.

In Ecuador the indigenous movement erupted in the form of a major uprising that overthrew the neoliberal government and brought it close to state power. In Brazil a decade of neoliberal economic development, and the active political mobilization of diverse forces of resistance in the popular sector of civil society, brought to power a Workers' Party (PT) regime on what might be defined as a new 'pragmatic' centre-left disposed to cut a deal with neoliberalism. In Venezuela, the violent reaction of the state against the protester of IMF-dictated policy reform measures generated conditions that eventually gave rise to Chávez's 'Bolivarian Revolution' – another 'nemesis' of US imperialism, to use Clairmont's (2008) terminology. Elsewhere, particularly in South America, widespread disenchantment with neoliberal economics and politics gave rise to diverse elements (social movements, parties, regimes) of a pragmatic rather than revolutionary 'new left'.

Notwithstanding the emergence and subsequent development in Venezuela of a new social revolution, only in Bolivia did the 'new left' emerge in the context of a revolutionary epoch and the possibility of a revolutionary assault on state power. That this possibility did not materialize, or was averted, and that a revolutionary state programme was constructed elsewhere under non-revolutionary conditions (no mobilization of 'the multitude' to use Antonio Negri's infelicitous and admittedly imprecise notion), raise questions that require a closer look at political developments across the region – questions that in this chapter we address in the particular context of Bolivia. These questions include: Is the incumbent regime a government of the social movements, as many see it and as Morales himself claims? What is the nature of the society-state relation in this government? What is the precise relation of the government party *Movimiento al Socialismo* (MAS) to the indigenous and other

social movements? Can we conceive of an ideological-political articulation or is the relationship purely a matter of social exchange to a mutual benefit? To what degree do the social movements provide the social base of he government's actions and policies? In this regard, are the social movements constituted as an independent political actor, able to pressure the government to meet the popular sector demands for change? Or, as some have suggested, are they subject to manipulation by the government, used by the government as a political instrument to advance its agenda? What is the configuration of power behind the state-social movement relation? What are the political consequences of the undoubtedly new relationship forged between the social movements and the power structure?

The Essence of Evismo?

The Morales–García Lineres regime's policies are undoubtedly ideologically driven, but the nature of the operative ideology is not evident. Not only is there a lack of correspondence between discourse and practice – which might well be expected – but different elements of this ideology appears to be in conflict, making it difficult to discern any solid political foundation. In any case, as Luis Arce Borja ('La esencia del Evismo,' 3 January 2006 [rcci.nt/globalizacion]) has observed, 'it is a mistake to characterize the political future of a government with reference to either the social origins of its officials or its political discourse'. Rather, Arce Borja argues, what determines the class character of the regime, a party or an individual is 'political practice and position vis-à-vis the state, the multinationals, owners of the means of production, the bourgeoisie and landlords and "grupos de poder locales" and all those institutions (parties, the church, etc.) that sustain the system of class exploitation and imperialism.'

At the same time, the regime's actual political practice or 'project' should not be any cause of surprise if one were to take stock of statements made by Evo and García themselves on the campaign trail, at a time when they were constrained to make commitments and overtures to diverse economic and political groupings at the centre and on the right, as well as the left and the popular sector, in the search for alliances and political support. For example, the day after his electoral triumph in December 2005, a month before taking office, Morales proclaimed that his government would 'neither confiscate nor expropriate' the property and assets of the corporations operating in the country – Repsol, Petrobras, Total, British Petroleum, Enron, Shell, Panamerican Energy, Pluspetrol, Vintage, etc. – whose investments in just the hydrocarbon sector exceed US$100 billion. Instead, a MAS-led government would offer these companies 'service contracts', adding that 'we will respect the rights of property, our government will be dedicated to a respect for the law, but the oil companies will also have to respect it'. In this connection, it has to be said (and we here write) that there has been no divergence between discourse and practice. Even though campaign rhetoric is one of the worst predictors of eventual government policy, during his electoral campaign Morales promised to

give these companies new privileges and economic compensation. Nothing since Morales' advent to state power suggests any deviation from this commitment.

As for García Lineres, the major ideologue and self-proclaimed theoretician of the regime, he announced on December 2005, two days before electoral victory, that 'we will govern for all Bolivians, not for one sector or class'; and, he added, 'we will engage in direct negotiations with the empresarios, whose policy recommendations we will implement'. Furthermore, 'no sector should feel excluded, and this is particularly so regarding the entrepreneurial sector'. As a government, García noted, 'we will guarantee security in the area of business operations, a return on investments and a reasonable rate of profit'. This same guarantee was reiterated after the announcement that the strategic resources in the hydrocarbon sector would be renationalized and restatified in the form of a public-private partnership and joint venture.

Of course, declarations of 'respect for private property' and the intention to 'govern for all', and to 'first develop capitalism and then socialism' – these are well-known elements of discourse used repeatedly over the last fifty years by some of the worst groups and governments in Latin America – as far back as Haya de la Torre, founder of APRA in Peru – as well as 'Goni' (De Lozada) in his archetypical 1994 neoliberal programme ('el Plan Para Todos'). There is nothing new in this discourse, common to earlier and more recent forms of liberal and populist politics.

However, the discourse surrounding the government's diverse proclamations and its subsequent practice raise questions about the social character and ideological character of the regime – about the class interests represented in and by the regime and the forces ranged against and in support of it. It would seem that representatives of global capital and the US appear to have no fundamental concerns in this regard, viewing the regime as eminently 'pragmatic' and respectful of the law and private property, and in fact well disposed to the Post-Washington Consensus on the 'correct' policy.

A similar judgement can be found on the opposite side of the ideological spectrum. According to 'Patria Insurgente', a political grouping seeking to recover the revolutionary programme of October 2005 (Patria Insurgente – Sol Para Bolivia),[1] the government's policies can best be described as a form of 'indigenist

1 This organization is an amalgam of diverse social movements and popular organizations active in October 2005. It was formed in Cochambamba on 17 November to 'put the social movements in movement'. Constituent organizations include ASICASUR, Cades, CMI-Sucre, Comuna, Coop. 1º de Mayo, Coordinadora de defensa del agua, Coordinadora del Magisterio, Ex dirigentes Fejuve El Alto, Fabril, Fedecaas, Fedecor, FSUTCPOTK, Gobierno Municipal de Achacachi, Integrante Ful UPEA, Junta Central, Juntas Vecinales del Plan 3000, LAB, Movimiento Jóvenes de Octubre, Patria Insurgente-Sol para Bolivia, Plan 3000 Santa Cruz, Ponchos Rojos de Omasuyos, Programa 'Protesta Alteña', Rentista Fabril, Rentista Fabril, Rep. Ministerio del Agua, Río Seco Yunguyo. The aim of the new political formation was to 'recover' the October revolutionarty programme

populism' – not far off the assessment made by members of the political class on the centre-right as well as leftist intellectuals. The way out of Bolivia's predicament, this group holds, is for the government to abandon its path of appeasement and accommodation for a 'third way', the path of insurgency, active mobilization and concerted resistance against the 'principal enemy' (the Santa Cruz and Media Luna oligarchy), a path between 'oligarchic fascism' and 'indigenist populism' (Patria Insurgente, 2007: 15).

Social and Political Dynamics of the Class Struggle

At issue in the political dynamics of class struggle and social change in the 'revolutionary epoch' that we can trace back to February 2000 is the shape of Bolivia's social structure. There are various social dimensions to this issue – class, race and ethnicity. As for race or ethnicity there is in fact a sharp ideological and cultural divide, although little direct political debate over the issue. On the basis of the 2001 Census, up to 60 percent of the population, 80 percent of which is also classified as 'urban' (also a debatable statistic), is self-defined as 'indigenous'. But from an extreme right-wing political perspective, Martínez (2008: 36) sees this as 'la gran mentira' (the big lie), a statistical artifice constructed by the Census Institute in response to politically directed machinations of consultants in the NGO sector. The race or ethnic factor (indigenous 'nationality' – 'los indios' in the racist discourse of the political right), they see as closer to 19 percent of the population.

There are serious political implications of defining the population one way or the other, which explains the vehemence with which Martinez and other right-wing or neoliberal ideologues in the dominant urban middle- and upper class (the category of 'mestizo' was repressed in the census, according to Martinez), insist on 'fact' that 'los indios' constitute a much smaller part of the 'true social structure'. Martinez (and he is by no means alone in this belief – intellectuals and opposition politicians on the right generally subscribe to this notion) clearly associates 'indigenous' with 'subversive' (of the society and state that they have constructed). In this context, the reduction of the indigenous factor in society and politics might be viewed as a way of lessening social divisiveness in politics, as well as giving Bolivians like themselves solace in their confrontation with the 'indigenist' regime – in their racist and class concern that they might be governed by a group of backward 'indios'. After all, the then preponderant urban middle and working classes by this definition would see themselves as 'mestizo' rather than as 'indio', and thus easier to appeal to with their modernist and developmental discourse.

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and define (posicionar) the critical issues of the current conjuncture: (i) the dispute over the IDH (dirct tax on hydrocarbon exploitation) which masks a pseudo-nationalization and legalizes the 'ley de hidrocarburos'; (ii) the populist 'bonos' which mask the absence of a true national development plan; and (iii) the forms and new contracts that mask the presence of the multinationals, etc. (Patria Insurgente, 2007: 15).

As for the question of 'class' there appears to be little debate on the current ideological-political discourse, creating or reflecting a considerable degree of uncertainty regarding the social structure of Bolivian society, and thus an analysis of its possible political implications. Even so, it is evident that the most sizeable 'class' in the population is what might be defined as a semi-proletariat with a rural and urban division – a substantial rural 'semi-proletariat' composed of near landless indigenous peasants forced into a relation of wage labour to sustain the livelihood of their households (well over 50 percent it is estimated), and an even more substantial urban proletariat composed of self-employed street workers in the informal sector (on this see enter alia, Davis, 2006). By most accounts these workers constitute close to a half of the urban working class, over 60 percent in El Alto, the largest concentration of indigenous semi-proletarianized workers in the country – and the primary social base of the subversive struggles and mobilizations of 2003 and 2005.

To this working class can be added, for both social demographic and political-analytic purposes, a waged working class and a petit-bourgeoisie that together make up an estimated 25 percent of the population, a population of largely indigenous peasants and small landholders, as well as a small but powerful dominant class at the apex of the social structure, divided into an oligarchy of big landowners and an incipient agro-industrial bourgeoisie concentrated in resource-rich Santa Cruz.

And, of course, there is the relatively small but yet significant middle class located in the cities and urban centres. This class, whose politics vis-à-vis the government is divided, has four major components: professional-managerial, propertied (property or business owning), bureaucratic and intellectual. Some observers have suggested that despite the fact that the middle class intellectuals are the major architects of the government's national indigenist discourse, it has alienated a critical part of this middle class, a critical support factor in Evo Morales' ascent to state power.

Another critical element of the social structure is the class-race relation. The connection between class and race, or indigenous nationality, is a critical factor not only of the social structure but also in the correlation of force in the ideological and political dynamics of social change. For one thing, it impinges directly in politics to the degree that race and ethnic 'identity' has become a major divisive factor in the political struggle. For example, the traditional left, focused as always on the working class, particularly tin miners and public sector workers, have tended to sideline if not entirely ignore the ethnic or race factor, viewing it as politically divisive and subordinate to class in regard to the social question. However, it is not simply a question of class versus race and ethnicity or indigenous nationalism. The indigenous movement is as divided as is the labour movement in its last redoubt (the Central de Obreros de Bolivia or COB) – and the left more generally. For example, MAS and the government are as alienated from the working class leadership in the COB as it is divided from the more radical ethnic and class currents in the indigenous movement represented by Felipe Quispe for instance. In fact, these divisions are a major obstacle in the government's current efforts to

strengthen the social and political base of its policies, leading it to seek alliances in, and accommodations with, elements of the political class on the centre-right – particularly in what Martínez (2008), a right-wing but well-educated and informed ideologue of the Santa Cruz reaction, been described as the 'La Paz oligarchy'.

The Political Dynamics of Class Struggle

The political dynamics of class struggle in Bolivia and elsewhere in the region relate to three alternative 'roads' towards social change, two of them paved with state power, the third with micro-projects engineered by the NGOs in Bolivia's 'civil society'. Devotees of liberal representative democracy have traditionally trod the 'parliamentary' road of electoral and party politics. It has a long tradition in Bolivia, despite the numerous interruptions and interregnums resulting from the periodic explosion of insurgency from within the popular sector of civil society. In fact, Evo Morales relied (and wagered his connection to the social movements) on the institutional trappings of this system in his ascent to state power, even though, by a number of accounts, including his own, it was the 'social movements' that created the conditions for this ascent.

This road to power, both in Bolivia as well as Ecuador, can be traced back to a strategy devised in the 1990s within the indigenous movement to construct a political path to state power. The strategy had different outcomes. In Ecuador it resulted in a fateful division of the dominant social movement (CONAIE) and its eventual displacement from the centre of the class struggle for social change. In Bolivia, as it happens, it resulted in the historically unprecedented event of an 'indio' in the office of President and the ascension to power by MAS on the social base of largely of forces organized and mobilized by the indigenous-peasant movement (the 'cocaleros') led by Morales.

The other 'revolutionary' road to social change is generally favoured by the social movements, although the Morales-led cocaleros movement turned towards both the parliamentary and the 'non-power' roads to change paved by organizations engaged in 'international cooperation' for 'development'.[2] The 'revolutionary' road entails the active mobilization of the forces of resistance and insurrection, directing them against the fundamental repository of class power – the state. By some accounts, this was the road to change taken by the social movements in the popular sector over the course of Bolivia's 'revolutionary epoch' from February 2000 to October 2005. By the same accounts Evo Morales played an important role in deflecting this revolutionary impetus and demobilizing the social movements in favour of the preferred electoral road to state power (Petras and Veltmeyer, 2005).

2 On this point our political analysis of the role of NGOs in the class struggle for state power (see, for example, Petras and Veltmeyer, 2005) is diametrically opposed to analysts such as Martínez (2008) who see a number of them as agents of insurrection in their concern and efforts, orchestrated with elements of the Morales regime, to create the 'subjective conditions' of revolutionary change and the conquest of state power.

According to Martinez (2008), García Lineres – and, even less believably, a cluster of NGOs, the key ones financed by George Soros no less – fomented and lent support to the revolutionary fervour of the social movements.[3] In any case, it is evident that Evo Morales helped defuse this revolutionary fervour, presumably because of his ideological commitment to 'freedom' and 'democracy' – and, by a number of accounts, financing of his electoral campaign by several international NGOs. For whoever reason, pragmatic calculation, financing of his campaign or the overriding influence of several NGOs, in his bid for state power in a the context of a developing revolutionary situation Morales turned away from mass mobilization towards use of the 'electoral mechanism' and the institutionality of liberal democracy, first in the 'toma de los municipios' and then in the presidential elections of December 2005, less than two months upon the ebbing of the revolutionary tide, which Morales chose not to ride, notwithstanding his origins and continuing identification with the 'movements' ('soy de los movimientos').

The third road to social change has been theorized by 'leftist' intellectuals infected with the virus of postmodernism, such as Toni Negri – and, it would seem, despite his stint in a political organization oriented towards the armed struggle, García Lineres himself[4] – as bringing about 'social change without state power': the 'no power' road, it might be argued (Holloway, 2002). In this conception of social change, García and other likeminded advocates of the 'new politics' ('autogestionismo' – autonomous action from within) converge with the 'new paradigm' of local development launched by the World Bank and other organizations of 'international cooperation' in the development enterprise.

The strategic aim of this project, at least as concerns the World Bank and its sister organizations in the global 'war on poverty', is to establish a more 'socially inclusive' form of neoliberalism, a more 'sustainable' and 'equitable'

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3 The evidence of Soros' 'invisible hand' in the revolutionary class struggle includes control of and financing of a number of NGOs that are engaged in support of the 'revolutionary struggle' (the Cochabamba water war) headed by Oscar Olivera, Coordinador de Agua, and his direct financial support of the opposition against the US government's campaign to eradicate coca (Martínez, 2008: 12-22).

4 As Martínez (2008: 27-41) sees it, García Lineres had his intellectual roots in a more standard form of Marxist thought and a revolutionary political practice (armed struggle) associated with the EGTK (*Ejército Guerrillero Túpaj Katari*) in the context of a centuries' long struggle of the indigenous population against their oppression and exploitation. According to Martinez, who, for poltical advantage in the ideological struggle against indigenismo and the current regime, delibrately misconstrues García's role in the class struggle, García and his comrade in arms, Felipe Quispe (El Maiku), representing the syndicalist branch of ethnic and class politics, has a leading intellectual-ideological role in advancing the insurrectionary forces of class struggle throughout the country's revolutionary epoch from 2000 to 2005 (Martínez, 2008: 27ff.). Martinez in his religious fervour and ideological struggle against the 'radical or revolutionary Left' (García Lineres?) goes so far as to argue that several NGOs, and particularly those financd by the financier Georg Soros, were leading forces in this revolutionary process.

form of development, a more humane form of capitalism based on the marriage of capitalism to democracy, above all, a decentralized form of development and democratic governance (see Chapter 3).

A fundamental agency for this approach to social change – to empower individuals to act for themselves in the local spaces of the power structure rather than challenging this structure – are the NGOs, the very organizations that Martinez implicates in the revolutionary struggle but that we, together with most analysts, see as antithetical to the social movement, concerned rather with dissolving any revolutionary ferment and turning the rural poor away from the social movements.

In the mid-l990s, in the wake of De Lozada's instituting a new 'participatory' neoliberal regime, a number of international NGOs, heavily financed and under the auspices of USAID, the Vatican and diverse governmental and intergovernmental organizations for development ('international cooperation') moved into Bolivia in a big way, viewing the country as ripe for the picking – turning towards liberal democracy and localized democratic development.[5] One of the most important of these organizations was the Centro de Promoción y Capacitación del Campesinado (CIPCA), for decades a major centre in the promulgation of indigenism.[6]

The ideology of indigenism has received the solid support of the World Bank, the IDB and other organizations of international cooperation mediated by NGOs such as CIPCA, which works closely with the National the US-based and Washington-linked

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5 'Democratic development' was promoted by a range of foundations and NGOs, including the Fundación Boliviana para la Democracia Multipartidaria (FBDM), founded in towards the end of 2002, just a few months before the first explosion of insurrectionary forces in the new context. René Meir, a delegate from the confederation of private Enrtrpreneurs (a Confederación de Empresarios Privados) explained that the aim of FBDM was to 'contribute to democracyc with support orient towards improving the political system in the country'. Its first directorate included the MNR's Ignacio Sánchez de Lozada (Sánchez de Lozada's son), Guido Riveros from MIR, Erik Reyes Villa of NFR, Antonio Peredo Leigue of MAS, Felipe Quispe of MIP, Mauro Bertero of ADN and Rolando Morales of PS, i.e. almost all of the traditional 'parties of the system' set up by the 'political class', including MIP and MAS, with origins in the social movements.

6 The key theorist of ndigenism in the Bolivian context was Fausto Reynaga, whose books were published in 1960 and 1970. Political exponents of his ideas include Felipe Quispe Huanca, who, together with García Linera, as leader of *Ejército Guerrillero Túpaj Katari* (EGTK), spent several years in prison for leading an armed assault on La paz, with the aim of reconstituting Kollasuyo, in which the indigenous communities would govern themselves and keep out the authorities of the Bolivian state. Indigenism, in the form of the 'democratic and cultral revolution' promoted by Evo Morales in his campaign for state power, became a critical part of the popular movement, which included the Comité de Defensa del Agua, constructed in Cochabamba in 2000, as well as the Confederación de Campesinos, the Confederación de Colonizadores, the Federación de Mujeres Bartolina Sisa (companion of Tupaj Katari), the Confederación de Indígenas del Oriente Boliviano (CIDOB), the Confederación de Marcas y Ayllus del Qullasuyo (CONAMAQ), the Juntas Vecinales de la ciudad de El Alto and the Central Obrera Regional (COR).

National Endowment for Democracy (NED) and Oxfam, as well as the Fundación Interamericana (FIA), an official US government agency.[7] Other NGOs engaged in this project to democratize Bolivia include the Centro de Estudios Jurídicos e Investigación Social (CEJIS), which currently counts on two key ministries and two vice-ministries within the government, as well as a key MAS post in the CA.

NGO ties to the social organizations and movements, as well as a development project approach towards social change, are evidently important constituent elements of the regime. An examination of the composition of the Morales–García cabinet – a much more reliable indicator or predictor of a newly elected regime's actual policies than campaign rhetoric is revealing in this regard. The first cabinet was constituted by 16 ministers (and 47 vice-ministers), of which seven were immediately called into question by the very movement that propelled Morales to the Presidency and at eight were directly connected to NGOs such as CIPCA, ideologically disposed towards liberal democracy, indigenism and the regime. For example, two Ministers and two Vice-Ministers were drawn from CEJIS, an NGO focused on land issues and headquartered in Santa Cruz. All of the indigenous community representatives were also NGO-based or -connected, as were the four Ministers identified by *Los Tiempos* (Zegada *et al*., 2008) as 'leftist intellectuals'.[8]

Representatives of 'civil society' included Abel Mamami (Water), former leader of the Federation of Neighborhood Councils (FEJUVE) in El Alto, the key organization that ignited the insurrections that toppled two former neoliberal presidents and gave Morales a resounding 70 percent majority in El Alto;[9] Walter Villaroel (Mining), ex-executive secretary of FENCOMIN – the Federation of Mining Cooperatives – who defected from the rightwing UCS to jump on the Morales bandwagon;[10] Soliz Rada (Hydrocarbons), a former leader of the centre-

7 Interestingly but by no means coincidentally the founder of CIPCA was the Catalán Jesuit, Xavier Albó, who, as it happened, helped design the Statutes of Regional Autonomy for the Santa Cruz department.

8 Surprisingly, the head of Peasant and Agrarian Affairs is a Santa Cruz intellectual with no ties to the major peasant movements. But unsurprisingly, the key economic posts are strongly tilted toward technocrats and liberals while the 'social ministries' are in the hands of identified 'leftist' intellectuals associated with the NGO sector.

9 The appointment of Mamani to the Ministry of Water was strongly contested by the current leaders of FEJUVE because both Morales and Mamani acted without consulting FEJUVE's popular assemblies and because Mamani failed to pursue the universal demand for the nationalization of foreign-owned water distribution rights in El Alto. The neighbourhood groups apparently were less impressed by Mamani's facility in speaking Quechua than by his lack of militancy and his abundant political opportunism.

10 His appointment was denounced by mining leader Cesar Lugo because of Villarroel's previous stint in government in which he helped to dismantle the Bolivian Mining Corporation (COMOBOL) and for privatizing one of the biggest iron mines in the world. He has also been attacked for supporting previous neoliberal President Carlos Mesa and promoting private cooperatives rather than strengthening state enterprises under

right CONDEPA party that cohabitated with former neoliberal presidents, even as he polemicized against the illegal sell-off of state petroleum resources; Casimira Rodríguez Romerom (Justice), leader of las *Trabajadoras del Hogar*, the Domestic Workers Union; Alex Gálvez (Labour), ex-Executive National Secretary of the Metallurgical Workers Union; Celinda Sosa (Economic Development), former Secretary General of the Federation of Women Peasants Bartolina Sisa, which was also brought into the ambit of democratic development engineered by CIPCA, FBDM and CEJIS; Walker San Miguel Rodriguez (Defence), a lawyer and former director of Lloyd Bolivian Airline accused of covering up the illegal privatization of the former state airline, and a long-time member of the right-wing MNR as well as a former supporter of ex-President Sanchez de Losada; David Choquehuanca (Foreign Affairs), former director of Nina, an NGO affiliate of UNITAS, and a close collaborator of neoliberal ex-President Jaime Paz Zamora as well as a strong supporter of a free trade agreement with the US, a policy that not even the previous neoliberal regime could pursue;[11] and Luis Alberto Arce (Finance), long connected with international financial institutions such as the IMF, World Bank and Inter-American Development Bank, and a long-term supporter of their regressive structural adjustment programmes. In addition, the Minister of the Presidency, Juan Ramón Quintana, was an associate member of RESDAL, a network for the defence and security of Latin America financed by George Soros, the founder of 'Open Society', as well as the National Endowment for Democracy (NED).

In the light of the government's NGO ties to agencies of International cooperation for Development, as well as diverse sectors of Bolivia's 'civil society' and traditional political class, it is evidently not a government of the social movements as is often claimed and proclaimed by Morales himself. And this is notwithstanding the more than 100 agreements signed with popular sector social organizations during the campaign leading to the electoral triumph of December

worker control. The appointment of Villarroel to the Mining Ministry over the vehement objections and threats of job action from the mining unions that helped bring him to power appears to indicate a determination to pursue an orthodox foreign investment-based mineral exploitation model.

11 The new Aymara-speaking Foreign Minister has affirmed that Bolivia is open to discussing a free trade agreement with the US. As he took over at the Foreign Ministry, he declared, 'We do not reject entering the FTAA'. He elaborated: 'We are going to have relations with everyone, we have to talk about free trade agreements, with various nations and analyze the situation with the Andean Community, the Southern Cone Market (MERCOSUR), blocs with which Bolivia has commercial accords'. He went on to cite Morales' overseas trip to several Latin American and European countries and South Africa prior to his taking office. 'When Evo traveled abroad he said he learned how to do good business'. Indeed, Evo's trip abroad and his conversations with the US Ambassador to Bolivia (David Greenlee) and US Assistant Secretary of State for Western Hemispheric Affairs, (Thomas Shannon), were essentially to assure Europe and the US of his economic orthodoxy, willing to encourage more and bigger investments in the mineral sector and to secure their certification of good conduct.

2005.[12] Just how far the government's ideological ties to the NGOs sector and the political class within the political party system have either conditioned or shaped its policies regarding the social movements is not clear, but it is undoubtedly a critical factor. Notwithstanding its social and political base in the popular movement, and the institutional mechanisms of an enhanced social movement-state relation,[13] the ideological blinders and pragmatic alliance politics that come with these ties provide an obvious constraint on regime politics – and on the policies that the government has pursued over the past thirty months.

Nevertheless, the electoral commitments of the regime and the alliances on the centre-right are not the only constraints on the government's representation of the social movements in the popular sector and an ideological orientation towards the political left. Another critical factor in this connection is that in the electoral negotiation process with MAS, the social organizations stopped behaving like social movements, acting instead like 'corporative institutions' concerned more with negotiating a quota of state power than pressing programmatic demands (Tapia, 2000: 14). A third factor was the failure to construct a solid 'organic structure' on the basis of the network of alliances formed in the popular sector. More on this below.

Dynamics of Struggle in the Current Context and Conjuncture

For the latifundistas, sojeros, mining companies, gas multinationals, agro-industrial exports and their political representatives in the state (Podemos, etc.) the control of the state by 'el indio' and proponents of a multi-ethnic proto-socialist state is 'intolerable', so much so that secession is seen as the only solution. Its political representatives in the parliament, led by some of Santa Cruz's biggest landowners and a reactionary political opposition, have been able to slow down and even stall implementation of what they take to be the government's political project, encapsulated in the document prepared by the Constituent Assembly. But the stakes are exceedingly high – from their class perspective, nothing less than economic interests and power vested in ownership of, and control over, the country's most

12 According to Iván Iporre, Evo's campaign manager, over a hundred electoral alliances were consummated during the campaign, most of them with popular sector organizations such as Movimiento sin Tierra, el Consejo Nacional de Ayllus y Marcas del Quillasuyu (CONAMAQ), rural teachers and retired peasants, and MovimientoSin Miedo, which turned out to be Evo's main ally in the Constituent Assembly (*La Razon*, 12.2.07).

13 On forming a government, one of the first measures taken was the creation of a Vice-Ministry of Coordination with the Social Movements and Civil Society. In addition, the government created a directorate ('Dirección General') to support and advise the government in its efforts to coordinate th different social movements across the country, to strengthen the popular movement, establish mechanisms for the transmission of demands from the popular sector (NGOs and social movements) as well as the monitoring of agreements and conflicts – a national conflict monitoring service (*Gaceta Oficial*, 2006).

important cluster of strategic productive resources. In the class struggle to command these resources the big landowners and agro-industrial bourgeoisie are clearly on the defensive against what they take to be – perhaps rightly so – a government-orchestrated effort to restructure the state and the economy in the direction of 'indigenous populism'.

The neoliberal model, implanted in 1994 with the institution of administrative decentralization, popular participation and capitalization strengthened the control over the country's resources located in the province of Santa Cruz – and this key elements of the dominant class by means of a decentralization policy that led to a relative regional autonomy' from the central government and state. And in fact, the proposals for both a regional and indigenous forms of autonomy are embedded in the new Magna Carta prepared by the Constituent Assembly. But 'regional autonomy' is fraught with political conflict, and in the form visualized by the Constituent Assembly (CA) is not in the interest of the Santa Cruz economic and political elite. For one thing, the document prepared by the CA, although recognizing both regional and indigenous 'autonomies', allows for a more centralized national policy based on national control over and the power to dispose have and redistribute the region's (that is, the country's) resources.

In this political context, the Prefect of Santa Cruz, with the support of the province's most powerful landlord, Branko Marinkovic, head of the Comité Cívica in alliance with the other governors in the eastern lowlands (Beni, Pando, Tarija) took the bull by the horns and initiated an unconstitutional referendum on the Statutes of (Regional) Autonomy that were prepared in consultation with several right-wing thinktanks and consultancies. The Santa Cruz referendum, held on May 2008 with a 39 percent abstention rate, had a predictably positive outcome for the Prefect and the political right (some 80 percent of actual voters). Of course, this was but a moment in an on-going class struggle and a relation of political conflict with the state. The government itself responded to the referendum (and proposed similar referenda planned for the other provinces) by denouncing it as illegal and unconstitutional and proposing a dialogue with the opposition parties in the national parliament – restoring thereby the somewhat marginalized role of the party system – directed towards accommodating the proposals for regional autonomy with the proposed new constitutional charter.

Reports of a Class War: Dynamics of Struggle and Political Conflict

The class struggle in Bolivia has centred on and continues to unfold around five critical issues, each the source and site of ongoing political conflict. The first surrounds the national question, a matter of regaining state control over the production and marketing of the country's strategic resources in the area of hydrocarbon (oil and gas) development. This question was at the centre of the 'gas war' that dominated class struggle and political conflict in the 2005 conjuncture of

the conflict that led to the overthrow of the neoliberal regimes of De Lozada and De Mesa and the eventual installation of Evo Morales as President.

The second area of political conflict relates to the proposal of the government to restructure the state – to establish a Constituent Assembly (CA) that would create a new Magna Carta, the constitution of a new plurinational state. The struggle over the composition of this CA and the construction of a new constitution is largely over, although implementation is stalled because of a failure to secure a political consensus on the proceedings and the document itself, which regarded by the extreme right as an attempt to centralize power, impose a totalitarian state, liquidate the opposition and establish 'ideological hegemony over the country' (Martínez, 2008).[14]

A third area of class struggle and political conflict relates to the demand of the 'autonomistas' for territorial control of the productive and natural resources within the resource-rich provincial departments of Santa Cruz and the other departments in the 'media luna' eastern region of the country.

The fourth major area of class struggle and political conflict surrounds the question of land and agrarian change: how to redistribute the arable land to the landless and to improve access to related productive resources such as credit and technology.

Nationalization

On the one hand, the regime has declared that the natural resources of oil and gas 'belong to the people', and one of its first actions has been to reestablish state ownership over hydrocarbon (gas and oil) resources. But these policy actions were clearly dictated by pressures from the popular movement. It was not just a question of popular support for the government's policy measures; the government had no choice in the matter. On the other hand, in May 2007 the government renewed contracts with 42 oil companies on the basis of a joint venture or 'partnership' arrangement. Here the government announced that 'we do not need bosses; we need partners'.

The government's policy and actions regarding the nationalization of the country's huge reserves of natural gas was widely interpreted by the left as 'revolutionary', a radical departure if not a reversal of two decades of neoliberalism. But a closer look at the government's action on this front suggests that the 'nationalization' of oil and gas is little more than a tax increase on the rate

14 Martínez here makes explicit reference to Gramsci's formulation of 'hegemony' in an analysis of what he views as a class war and revolutionary struggle launched by the Morales government and its 'organic intellectuals' such as García Lineres, and aided and abetted by ONGs such as the TAU Lodge, Coca 90 and the Fundación Goldman, financed and controlled by the 'invisible hand' of Georg Soros, that have been working for close to a decade, according to Martínez (2008: 11-41), to create the 'subjective conditions' of a 'revolutionary resurrection'.

paid by the multinationals to the state – hardly a revolutionary change. Apart from 'fundición de vinto', which ended up with De Lozada's COMSUR, not a single oil well or gas field, and not a single corporation has been expropriated.

In any case, despite the government's announcement that hydrocarbon and other such strategic natural resources 'belong to the people', and its declared intent to nationalize and restatify production in the sector, the multinationals remain engaged in the process. Indeed they have been invited to stay in the country and participate in the production and export process, with due guarantees that their investments will be protected. At the beginning of 2008 no fewer than 42 multinationals were engaged in the exploitation of Bolivia's natural hydrocarbon resources.

As for public co-participation, by 2008, two years into the renationalization policy, the government had not yet managed to achieve its stated aim of acquiring 51 percent of ownership shares in the joint venture of hydrocarbon economic development. The multinationals still had – and indeed have – effective control of production and marketing, and the government is dependent on them to capitalize and finance operations in this strategic sector. After securing very lucrative long-term contracts, Petrobras and Repsol-Argentina, two of the biggest international players in the field, decided to stay and expand their productive investments in Bolivia's hydrocarbon sector, which is to say, in effect the government has in fact reneged on one of three major demands of the popular movement – to nationalize the resources and the industry and expel the multinationals.

On similar lines, the government signed off on a long-term contract with Jindal, giving it ownership rights and the ability to exploit for private profit one of the three largest reserves of iron and manganese in Latin America. The agreement with Jindal to industrialize the production of iron ore entails a minimal processing of iron ore and will take place only after the company has fully recovered its initial investment, which it is expected to do in just a few years.

It turns out that the government has signed contracts with nearly all existing resource extracting oligarchic and foreign multinational companies in the country. Moreover, Bolivia has increased its dependence on foreign capital, mortgaging a substantial part of its resource rents and export revenues by expanding its international reserves. Except for a fee marginal operations, the government has not nationalized a single foreign-owned mine, oil well or gas field. It paid Petrobas a premium price for two of its refineries. Worse, in virtually all cases of joint venture the Bolivian state appears as a junior partner, with little to no influence on decisions regarding investments, production and commercialization. The foreign owners can acquire loans to finance current expenditures at a rate of 3 percent subsidized by the state while the state has to acquire capital from the Banco Andino (Corporación Andina de Fomento) at the rate of 8 percent. In addition, while foreign firms are able to acquire gas at subsidized rates to date they have not initiated a single industrialization project of any significance, as per a number of old and new agreements, keeping the economy solidly within an old neocolonial mould.

The long list of multinationals in the strategic – and now particularly lucrative – extractive sectors of the economy includes Petrobras (Brazil), Repsol (Spain), Transredes (Enron-Shell), Jindal (India), Total (France), British Gas, Apex Silver (US), Sumitomo (Japan), Ashmore (UK), British Petroleum and dozens of others to a total of 42 in the gas and oil production sector, all of which have made windfall profits since the government took office in 2006.

There is evidence confirming that the Bolivian government has signed more business-friendly contracts with multinational corporations in oil, mining and gas sectors than any other country in the region. That most new contracts involve the export of raw materials also means the lack of energy resources for domestic consumption or to generate industrial employment.

In 2008 the government made several moves to nationalize some operations in the oil and gas sector, but only in cases, such as Enredes, an affiliate of Shell and Ashmore, engaged in the transportation of natural gas to Argentina and Brazil. The problem with Enredes was that it was caught in the act of actively working against the government, conspiring against its nationalization policy. In Morales' own words: 'I have put up with it since 2006, and have received information this company has been continually conspiring against the national government and democracy. That is over' (*Bolpress*, 19 June 2008). However, even in such a case of egregious disrespect for the law, the government took care to offer a 'fair market price' for the assets of the nationalized firm – in this case $240 million (the government already had a 47 percent ownership share in the pipeline).

The Constituent Assembly: From Popular Power to Oligarchic Reaction

One of the fundamental demands of the revolutionary social movements, together with the renationalization of the hydrocarbon reserves and industry, was to hold a Constituent Assembly, whose members would be elected directly by popular sector organizations. The government, however, have managed to pervert this demand by means of a formal agreement with the discredited leaders of the discredited 'parties of the system' (the oligarchy) that election to the Assembly would be organized on a territorial basis, ensuring the parties of the extreme right such as Podemos sufficient representation as to allow it to block any proposal for radical change. Ownership and the private control of the mass media ensured the capacity of the political right to directly influence if not control the urban-based middle class, an important component in the correlation of forces that would be required to implement and politically sustain the constitution of a new plurinational or multiethnic and perhaps regionally divided neoliberal state.

In the negotiations leading to the formation of the CA, Morales and García Linera accepted the demand of the Santa Cruz oligarchy that a two-thirds vote would be required to approve any article of the new Constitution. Later, when the right came into the House in sufficient numbers to block every one of the substantial changes, or even procedural reforms, Morales and García Linera tried to introduce a simple majority rule but have been unable to affect the functioning of the Assembly.

After nearly a year and a half of paralysis, not a single substantive article had been approved, and the social movements lost all hopes of 'refounding the state' or achieving meaningful social change. The right used the dysfunctional status of the Assembly to organize mass street demonstrations, setting up powerful 'civic networks' dominated by separatist oligarchs separatists and their paramilitary forces to promote an a right-wing agenda.

Vice-President García Linera in fact acknowledged the total debacle regarding the Constituent Assembly by convening a multiparty conference with the participation of MAS and all extreme right-wing parties, businessmen and oligarchs, to resolve their differences. In other words, Morales and García Linera have transited from one failed political pact with the oligarchy to another with the same disastrous results, having lost the initiative and allowing what had been a demoralized and weakened right to recover and reconstitute its forces.

Predictably, the oligarchy and the Right viewed the marginalization of the CA as a victory and used the new format to boost its agenda and demand even more aggressively the total surrender of the government in all matters relating to major agribusiness concerns – the 'illegal' occupation of public lands; separatism (qualified autonomy), which includes provincial (departmental) control of income from taxes and royalties, and greater control over social and economic policies.

The multiparty proposal led to an inevitable ignoble conclusion but not without further strengthening the right, demoralizing the working classes and demonstrating the bankruptcy of policies based on pacts with the politicians of the oligarchic parties. Lacking even the most elementary physical security in Sucre, the CA fled first to a military facility and later to Oruro, where it was protected by government-supportive miners and adopted a constitution that was contradictory and ambiguous on many key points such as indigenous and regional 'autonomy'. After the 24 May Santa Cruz referendum on the Statutes of (Regional) Autonomy, the government even offered to renegotiate the clauses on 'autonomy' and incorporate suggestions made by the 'autonomistas'.

The new Constitution is subject to voter approval by referendum. The main clauses are a hodgepodge of 'centralist' and 'autonomous' clauses that at one and the same time enhance the power of federal authorities and potentially fragment the country into 30 to 60 'indian nations' and right-wing regional governments.

Declaring the inviolability of private property, the new Constitution of the State, which has yet to be ratified, also limits land ownership to 25,000 acres per person, including the possibility of land reform (most of which would be immediately invalidated by the procedure of registering the land in the name of extended family members). The Constitution also claims in the name of 'all Bolivians' state ownership of all subsoil infrastructural ownership rights while allowing the companies in the extractive sector to list these reserves as stock market assets. The proposed constitution in effect reflects the profoundly contradictory ideology and policies of a government that proclaims radical change but applies a liberal agenda.

The Struggle for Regional Autonomy

Nationalization of natural resources in the hydrocarbon fossil fuels (gas, oil) … and war of position, with moves and counter moves. On 4 May 2008 the conservative opposition celebrated in the department of Santa Cruz, the epicentre of the opposition, a referendum on 'autonomy' – autonomy understood as complete territorial control over the resources and wealth which are located in the Department but obviously the object of national policy. The referendum, which resulted in a vote of 80 percent in support of 'autonomy', was declared illegal and declared thus by both the Corte Nacional Electoral (CNE) and the OAS.

The immediate response of the regime, apart from declaring the referendum illegal and of no import, was twofold: a clever move to accept the move of conservative parliamentarians for another referendum, within three months, this time to recall Evo Morales from the Presidency;[15] Morales turned the referendum into a 'popular consultation', a plebiscite that he could be expected to – and subsequently did (with a 67.8 percent vote) – win, testing thereby the limits of the democratic way, having won the presidency by one mechanism (elections) and betting on his ability to retain power, and consolidate a popular mandate, by means of another. As it turned out, he bet correctly in that he ended up consolidating an overwhelming majority in the western highlands, virtually achieving hegemony, while placing the right-wing opposition in the eastern lowlands on the defensive – so much so as to awaken within the regime an awareness of the need to act decisively in pressing the conjunctural advantage against a wounded enemy (Moldiz, 2008).

The government's second response was to call for a meeting of the nine governors (prefectos) – another democratic mechanism – for a dialogue on provincial autonomy within a unitary state. Vice-President García Linera made it clear that the administration was prepared to discuss how the demand for regional autonomy might be accommodated within the existing institutional framework of the Bolivian state. Morales even proposed the mediation of cardinal Julio Terrazas, publicly criticized for participating in the referendum. In any case, as expected the proposal to negotiate clauses of a Constitution worked out by the CA, was roundly rejected by the governors in the other Departments in the Media Luna – Beni, Pando and Tarija – who had similar referendum on the agenda and suggested in turn to initiate 'talks' after 22 June buy which time they are expected to have their

15 The move by the parliamentary political right to call for a referendum on the Morales Presidency backfired, as it soon became evident that it was not in the interest of the regional governors whose position would also be up for popular judgement and possible recall, and it was also evident that the recall Referendum would likely (and eventually did) confirm Morales in office and strengthen his mandate. It was in this context that Morales on 27 July denounced the conspiratorial plan of the extreme right in opposition to his government to prevent the referendum, a mechanism for 'deepening democracy', from taking place.

own referendum on departmental autonomy. As the governor of Beni, Ernesto Suárez Satori, put it: 'if the objective of the dialogue is to "frenar los procesos" [put a brake on the process] we will not play along'.

The Land Question: Agrarian Reform Matters

Despite the more than two and a half years in power and repeated demagogic promises to the indigenous communities and the social movements, Morales and García have failed to institute any significant land reform, particularly in regard to the vast tracts of land owned by the big landowners in the eastern lowlands, where a small number of rich and powerful agro-exporters (some 5,000 families) not only own most of the arable land but control access to credit and markets. Notwithstanding the announcement in August 2006 of a revolutionary land reform programme aimed at redistributing large tracts of land not in productive use or having any social and economic function there has been little to no land redistribution, not even of the public land illegally appropriated by the big landowners. The problems of massive landlessness and rural a 70 percent rural poverty rate persists.

According to one UNDP study 100 families are proprietors of 25 million of the most fertile land in the eastern lowlands, much of it not in productive use or having any 'social or economic function' as required by law, while two million small producers and peasants own or work five million of over-exploited and less fertile land. In the province of Santa Cruz, according to INRA, the national land reform institute, 15 families own 500,000 hectares of some of the best and most fertile tracts of land linked by public transport to the market. And the 100 families that own a sizeable part of the best land are also shareholders in the major banks, television broadcasters, food and processing plants, agro-industry, supermarkets and export companies.

In Beni, ten families own 34,000 hectares of land. In Pando, eight families own a million of the most fertile land. And this clan-family power structure extends well beyond the economy into the judiciary, the military, the public administration, the means of mass communication and civil society – controlling, for example, the 'civic committees' that have spearheaded the demand for regional autonomy. In Santa Cruz, Branko Marinkovic, the head of the Comité Cívico, commissioned the statutes of regional autonomy brought to a referendum in May 2008.

The exclusion of the biggest landholdings, plantations and latifundios fulfills his pre-election promises to the wealthy Santa Cruz agribusiness oligarchs, but it is a repudiation of his promises of agrarian reform to the landless and peasant movements. Government-promoted land settlements in remote public lands with precarious soil, distant from markets, transport and credit facilities will doom recipients to failure, as has occurred in the past.

The government has guaranteed the sanctity of the property of the landed oligarchy save for its being put to some productive use – to fulfil a 'social and

economic function'.[16] But in the few cases where there has been no question about the lack of such an 'economic and social function' the government inspectors assigned the responsibility for registering the land for 'cleansing' have been prevented even from entering the property. As for the partisans and supporters of the government's land reform programme in the popular sector, they have been intimidated and thus far bested in a series of conflicts, without state intervention on behalf of its supporters and officials. In August 2008, over a year into the land reform programme, little property has changed hands and none of the large landholdings of the eastern lowland proprietors has been 'saneada'.[17] Nor has there been any progress in other forms of 'asset redistribution' – opening up public credit to the peasants. At least 80 percent of credit is destined for the landed oligarchy in the media Luna to facilitate their agro-exports. Dominating as they do the local state apparatus the oligarchy has been able to repeatedly attack and intimidate government supporters and does so with impunity, to the point of consolidating its stranglehold on the levers of economic and political power in the five provinces of the eastern lowlands.

Rather than confronting the oligarchy, Morales and García Linera sought to form an alliance with them. In Pando, for example, the government offered an important oligarch, governor Fernández, a position in the government, which he rejected because he had no desire to have anything to do with 'los indios'.

The question of land reform, like that of regional autonomy, pits leading representatives of the dominant class and political elite, both in the office of provincial governor, regional and national parliament, and the chambers of commerce and industry, and landowners against the government, which, in this struggle, represents or purportedly seek to advance the interests of Bolivians in the popular sector of workers, peasants and the urban and rural poor – and the masses of proletarianized and semiproletarianized rural and urban workers, and their communities. A significant feature of this class division is ethnicity and race: he vast majority of people in the popular sector belong or identify with one of several ethnic groups or indigenous nationalities: Quechua.

16 In his inaugural address to Congress Morales was categorical in his defence of big plantation owners and his opposition to any redistribution of fertile and productive lands. 'I want to tell you, distinguished Congress people, my policy toward land policy. I want to tell you that productive land, whether it is producing or lends itself to a social economic use, will be respected, whether it is 1,000 hectares … or 5,000 hectares. But those lands … used for speculative purposes will revert to the state in order to redistribute the land to the people without land' (22 January 2006).

17 The National Development Plan (PND) included the proposal to redistribute 30 million hectares to 200,000 peasant families and the 'saneamiento' of 56 million hectares.

Ideology and Political Discourse

The political discourse that surrounds the Morales–García regime relates to diverse efforts to detect and define the ideology of the regime as a political message regarding the direction that the government intends to take, the country – its political project. Morales himself in his political discourse both within and outside the country in his domestic politics is oriented towards ethnonationalist and populist indigenism (the 'People's Sovereignty', as defined by Morales himself originally defined his political party),[18] and in his foreign policy towards a Bolivarian-type pan-nationalism, regionalism, anti-imperialism and anti-neoliberalism.

In regard to international relations and his foreign policy, Evo's discourse is generally aligned with the anti-imperialist discourse emanating from Caracas and Havana, but without the radical rhetorical edge. His discourse regarding 'neoliberalism' and 'imperialism', and his policy agenda of structural change, tends to fall somewhere in between this socialist-oriented radical discourse and the more muted discourse (and different agenda – to humanize capitalism) of the antiglobalization movement and the advocates of the new development paradigm. In this vein, for example, he recently addressed delegates at the 4 May *Cumbre de los Pueblos* in these terms: 'When we defeat the neoliberal governments, we will have equity and justice, and when we overthrow inhuman capitalism we will eradicate poverty'.

There is nothing particularly 'radical' in this 'development' discourse, but together with Evo's observed and much reported friendly relations with Chávez and Castro, back home it plays into the mindset of the extreme right, represented in the parliament by Podemos, as evidence of a nefarious plot to take Bolivia down the road paved by Chávez towards Cuban socialism – that is, through the lens of the extreme right, 'totalitarianism' (*La Razon*, 22 May 2008: A14).

According to Jorge Quiroga Ramiréz, a former president and at present the national leader of Podemos, the biggest opposition party, what we have with Evo Morales, his political project, is an 'extension of the Chavist model in the hemisphere, which has … its claw in Bolivia … and has in Morales a submissive puppet regime submissive to its hegemonic, totalitarian and authoritarian designs' (*La Razon*, 22 May 2008: A14]. The project to install this 'totalitarian regime to perpetuity', according to Quiroga, is to use the CA to change the constitution of the state and impose a socialist model by means of the following recipe: '… centralizing control over resources, divide the country and annihilating the

18 Regarding the 'democratic and cultural revolution' embodied in this ideology of 'ethno-nationalist indigenism', Hugo Moldiz, a member of the Estado Mayor del Pueblo, the political organization behind the political instrument (MAS) forged by Evo Morales to contest elections, argues that the fundamental project of MAS is 'capitalism' – that the only difference between the nationalism of MAS and that of the MNR, the chief political instrument of De Lozada and his neoliberal colleagues, is that the latter is 'petitbourgeois' whereas the former is 'plebiean, indigenous and peasant' in class character (Zegada et al., 2008: 56).

opposition'. Would it were so, many on the left might argue. This perspective on Evo's and the regime's ideology and political project is very revealing of the strategy and tactics that the extreme right would use if it could, but it says nothing about the ideology that governs the Morales–García regime's thinking and action.

This ideology could very well be reconstructed by means of a deconstruction of the discourse that surrounds each policy in terms of the actual measure adopted – a matter of actual practice rather than discourse. Thus, the name 'movement towards socialism' is not an accurate or particularly useful reference point for describing the regime's orientation or policies. First, it is not oriented towards socialism; at best towards communalism, a form of utopian socialism that Evo himself has defined as 'our political practice'. In addition, although it originated as a social movement and aspires to be much more – a national political movement – it has become little more than a political instrument used to contest elections and to engage parliamentary politics (Zegada et al., 2008: 37-64). As such it has more of a politically pragmatic rather than a well-defined ideological underpinning.

A discourse and policy analysis of the Morales–García regime – and consideration of the disastrous political pacts and accommodating strategies and tactics – point towards four essential features in the ideology governing its political practice. One is the ideology of a reformed (and state regulated) form of *Andean capitalism* protective of the rights of private property, the cornerstone and fundamental pillar of capitalism – which is to say, the property rights of the agro-industrial bourgeoisie, the small economically dominant class fraction (1 percent of the population) that owns and disposes of close to 80 percent of the arable land in the fertile eastern lowlands, the mixed and multinational capitalist enterprises positioned to extract and exploit the strategic natural resources of the country, and, of course, the larger number of small and medium-sized enterprises that constitute the backbone of the capitalist economy.

Another component of the regime's ideology is defined by Morales himself as *communalism*, with reference to the culture of solidarity and norms of reciprocity that govern relations within the traditional indigenous community. The problem, one shared by Michel Camdessus in his attempt to define the IMF's ideology, is that Bolivia is a fundamentally class-divided society, the dynamics of which tend to extinguish the sense (and reality) of community in all but the most remote corners of rural society. Under conditions of this class division the architects of the Post-Washington Consensus (see Chapter 3) are confronted with the problem of securing the 'solidarity between the rich and the poor, and Morales and García are confronted with the problem of an economically dominant class totally indisposed to equitably share the social product under its control. In this situation the regime has had considerably difficulty in securing the social and political support it has been seeking in Santa Cruz and elsewhere in the 'media luna'. The extreme right as represented in the ideology of Quiroga, Leader of Podemos, and the group that dominates both the provincial state in Santa Cruz and the Comité Civica, have no intention to 'play ball' (politics) with 'el indio' and 'el marxista', and in fact accuse them of seeking the class and political division of Bolivian society.

The third element of the regime's ideology is *ethno-nationalism* or *indigenism*, an ideology manifest and embedded in a politics of 'indigenous autonomy', which has less to do with the capacity to exercise some of the state's policy making power than with the dynamics of local development – assuming responsibility for community development based an equitable sharing of the community's limited resources. The major emphasis of both Morales and García in their political discourse on indigenism is on cultural and political rights, dignity and respect for the cultural traditions and norms that govern indigenous society, including the legal right of self-determination (autogestión) for the diverse nationalities that make up Bolivia's rural society – anywhere from 39 to 60 percent depending on how 'indigenous' is defined (exclusive or not of mestizaje).

The problem is that both Morales and García frequently enough and perforce lapse into contradictory assertions that cannot be reconciled in practice. Thus, the land and agrarian reforms of 2007 are oriented towards the redistribution of socially unproductive landholdings but the regime is unable to resolve the contradiction in its policy regarding the potential beneficiary of this land reform – the indigenous peasant farmers who were encouraged to colonize and settle in the lowlands or the Guarani demanding restoration of its ancestral rights over the land in the same zone. The constitutional document prepared by the CA provides no legal or institutional mechanism for resolving this contradiction, which is bound to lead to political conflict if and when the large landholdings in the area are 'saneado'.

Recognition of several dozen 'indigenous nationalities' and a policy of 'indigenous autonomy' also imply a political fragmentation of the state along ethnic as well as regional lines, rendering the central government incapable of exercising power and constructing policy at a national level. The ideology of indigenisim as expressed in the notion of 'indigenous and territorial autonomy' has no foundation in the existing constitution and the state, and thus requires a 'cultural and democratic revolution' – a reconstructed plurinational or multiethnic state.[19]

One of several problems in reconstructing a decentred state along these lines is that the political process has awoken and generated forces of regional autonomy that undermine and threaten the capacity of the state to make and dictate policy. Even worse is that the ideology of indigenism, and the attempt to give it political form in a policy of local (departmental and municipal) development, has been used by the dominant class in the departments of the 'media luna' as a pretext for creating a secessionist movement and pushing the demand for ownership and control over all of the region's rich repository of mineral and energy resources. In response, the government has had to reaffirm the supremacy of the central

19 In terms of its concern for indigenism, the aim of the government is nothing less than a 'democratic and cultural revolution' requiring both a decolonization of the state and the resurrection of a fundamental respect for ethno-cultural pan-national identity. García Lineres (2006), expressed this in the following terms: The 'indianismo' that Evo Morales proposes is above all else cultural, a means of 'mobilizing support for a policy of broad social inclusion and state renewal'.

government, particularly in terms of legislative authority regarding the disposition of export revenues and legislative authority. However, the policy of administrative decentralization, a fundamentally neoliberal policy instituted under the De Lozada's first administration, has proven to be a type of Pandora's box, providing conditions of democratic governance and participatory development but also generating forces of regional autonomy and territorial control.

The ideology of indigenism has had diverse expressions, and has achieved a measure of legitimacy, in the field of culture (religious festivals, etc.) but to date they have not led to any structural reforms in national policy or changed conditions that derive from unequal ownership of property and access of indigenous groups to society's productive resources. Even in the field of education, the major avenue of social mobility and development in a capitalist society, improvements and changes regarding the status and condition of the indigenous population have been minimal at best.

A fourth component of the regime's ideology is *anti-imperialism*, which, as in the case of indigenism for Morales is grounded in a profoundly personal experience. For García Lineres, however, anti-imperialism as an ideology does not reflect any personal experience but derives from an intellectual – and political – stance based on an academic study of US relations with Latin America. An anti-imperialist ideology led Morales to forge a close relationship with both Chávez and Fidel. And it is also manifest in a policy stance vis-à-vis relations with the US and the project of building a regional common market and free trade zone (ALBA). In this regard, the ideology differs substantially from indigenism, which to date has not had any effective or practical political or policy expression aside from diverse proposals to restructure the state along plurinational or multiethnic lines.

US Power and Latin America

US-Latin American relations are in a historic downturn and nowhere more so than in Bolivia, where the US is battling clandestinely to support the rightwing opposition to the Morales–García regime, to pressure the regime not to follow Venezuela down the road to socialism and regional integration against the US, while at the same time boxed in by the regime's adherence to the institutional trappings and mechanisms of liberal democracy.

At stake is more than influencing the direction of government policy as they relate to US economic interests in the country and the region. At issue in the US government's stance vis-à-vis the government in Bolivia is its capacity to advance and protect its considerable interests in the region. These interests are greater than ever while its power to dictate or influence government policies regarding them have been seriously weakened. US economic interests go beyond protection of the stake in the Latin America achieved by US multinationals behind the shield of the US state power in its capacity to dictate national policy. The US has substantial economic and strategic interests in the region. For one thing, it supplies the US

with 30 percent of its oil supplies and is a lading source of alternative fuel sources – ethanol and soy's abundant supply as well as other strategic minerals such as copper. In addition, the US is home to millions of Latin American immigrants and Latin America is the US's fastest growing trade partner. These interests are seriously affected by plans, orchestrated from Caracas, to forge a regional economic alliance and fair trade zone (ALBA)[20] directed against the US and its stillborn plan for a hemispheric free trade agreement. US interests are further threatened by the proposal, this time from Brasilia rather than Caracas, for a regional military alliance, along the lines of the military alliance orchestrated by the US in the 1960s and 1970s but this time shutting the US out entirely (see the *Miami Herald*, 20/5/08). This new proposal is designed as a bulwark against Plan Colombia, together with bilateral agreements with allies (Colombia, Mexico, Chile, Peru, Panama), the US's strategic reentry into Latin America, the keystone of its strategic position in the region.

Thus it is that in the current conjuncture the US finds itself between a rock and a hard place in Bolivia. On the one hand it is in its own interests bound to support of the rightwing agenda for regional autonomy and heavily, if clandestinely, engaged in financing in the moves of the right beyond 'democracy' now that it no longer serves to advance or protect their class interests. On the other hand, it cannot afford to be openly supportive of the rightwing agenda for regional autonomy now that the right has abandoned democracy and pushing beyond it in the circumstance of its no longer being in its class interests. Similarly, the US Ambassador to Bolivia, was placed in a difficult position by the government's Santa Cruz referendum (on 6 May) proposal of call for a 'dialogue' with the prefects (governors) regarding regional autonomy within the confines of the unitary state. In the context of the unauthorized referendum in Santa Cruz, which the ambassador implicitly supported in the form of funding to rightwing connected NGOs. The US State Department could hardly not support a call for dialogue, and indeed the ambassador was forced to express support of the dialogue and also for any democratically elected authorities in the country, even while financing the rightwing referendum campaign for 'autonomy' – and working assiduously against the reforms proposed by the Bolivian government.

In this connection, the US government's strategy has been to redouble efforts and funding to opposition NGOs. The government of Morales and García Lineres has a very strong connection to the agencies of international cooperation, but the primary connection is with NGOs funded from Europe and Canada, and oriented towards the municipalization rather than regionalization of development. USAID,

20 In theory, ALBA was designed as a trade agreement hat would provide the Framework for a dramatically expanded 'fair trade', constituting an engine for growth in the countries of Bolivia, Cuba and Venezuela. Along this line, the Press Unit odf the Bolivia's Congress announced on 30 May 2006 credits for producers in the order of US$7.4 million from a special investment fund within the framework of ALBA. It was estimated that the productive investment of this credit would result in the creation of 43,194 new jobs as well as secure markets.

however, is increasingly directed towards the funding of opposition NGOs in the regions – to the tune of US$87 million in the first two weeks of May 2008. This and other overt and covert funding of the opposition via the NGOs culminated in a call by Morales for his peasant allies in the Ungas to stop stop taking any more USAID funds and for the US ro withdraw its ambassador. This call of Evo's was in response to a big protest organized by grassroots organizations in El Alto.

Without a doubt the US is doing what it can both in Venezuela and Bolivia and elsewhere to 'reengage the region', seeking to advance its national and corporate interests and opposing any change that threatens these interests. The US administration, however, is in a difficult position. It no longer has the control over the Latin America's armed forces that it had in the 1960s and 1970s when the US could orchestrate a regional military alliance and 'dirty war,' against its perceived enemies, and engineer or sponsor one military coup after another. Those days are gone: the other regimes in the region, whatever their shortcomings and ideological leanings would not lend themselves to the machinations of US military power and control over their Armed Forces (this is not to say that groups on the hard right within these countries would not be so willing).

Nor can these regimes, whether on the centre-left or the centre-right, lend themselves to the secessionist forces in Bolivia and elsewhere, which are detrimental to their national interests and destabilizing. For this reason, OAS has also called for a dialogue between the government and the secessionist forces (the governors) in the 'media luna', which are viewed in the same light by other regimes as the forces that broke up Yugoslavia. In this connection it is perhaps not incidental that the US ambassador in La Paz, Philip Goldberg, was once a diplomat in Yugoslavia and promoted separatism in Kosovo, whose declaration as an 'independent country' was immediately racings by Washington.

US power has seriously declined in the region, a fact that can in part be attributed to the 'bigger game' in the Middle East, the Gulf region and Eurasia (essentially the Ukraine today). Notwithstanding the continuing extensive network of military bases and related centres for the prosecution of the 'war against drugs' only Colombia, Chile and Peru, and Mexico, and, of course, most of Central America, are in the orbit of US power. Against this power, from the perspective of the US State Department and the declared aims of the Bolivarian Revolution, Chávez, the self-declared 'nemesis of US imperialism' (Clairmont, 2008) is working to create a counter-power in the region. Both Bolivia and Cuba are key axis of this counter-hegemonic power, perhaps the only ones, which raises the stakes of the US in Bolivia. How the US might respond to its Bolivian irritant can perhaps be seen in its recent move against Venezuela and Ecuador, using the penetration of Colombia's armed forces of Ecuadorian territory in chasing dawn a FARC contingent as an excuse for stepping up military manoeuvres and otherwise spreading the seeds of fear in the local population (Guerra Cabrera, 2008) – the same seeds (of the nemesis of democracy, extending its reach beyond Cuba and Venezuela) that the US is already sowing in Bolivia among the middle class, with the support of the Church and the political right.

From Planning to Public Policy and Government Expenditures: Deconstruction of a Discourse on 'Living Better'

The framework of the Morales–García regime's government policy was laid out in 2006 in its National Development Plan (PND). The general direction and class character of the state is determined in part by a close look at the Plan, comparing it to previous plans, and, most importantly, sing it as a reference point for the actual measures implemented, which can be more accurately and usefully gauged via an examination of the government's actual budgetary layout and expenditures than the Plan itself. The Plan's general orientation is reflected in the principles and values of 'production, dignity, democracy and sovereignty' – the four essential elements and pillars of a state that would allow all Bolivians 'to live well'.[21]

At the level of these principles the ideological or class character of the regime and the state is not clear. The principles provide an overarching policy framework but the question remains as to how the government not only plans to institutionalize them but what measures in fact have been taken. In this connection it is instructive to examine the PND both for its differences from earlier plans within the neoliberal framework (especially De Lozada's 1994 *Plan de Todo*) and with reference to the actual measures implemented and budgetary outlays made over the past two years. The sectoral and social distribution of actual expenditures provides a more useful guide to the government's political project than the PND, although account has to be made of the political and other factors that affect and shape implementation of this project.

As for the *Plan de Todos* it was a model of neoliberalism, particularly in regard to the policy of administrative decentralization, a fundamental pillar of the neoliberal model (Blair, 1997; Rondinelli, McCullough and Johnson, 1989). And it is precisely in regard to this policy that the new Development Plan to some extent breaks new ground, by going back to the centralization policy of the liberal developmental state: to reconcentrate in the presidency the power to tax and collect resource rents on the extraction and export of the country's patron of natural resources – to use this power to finance national development. In fact, it is precisely this feature of the Plan and the document prepared by the Constituent Assembly that stuck in the core of the Santa Cruz prefects in Santa Cruz and the other departments in the 'media luna' (Panda, Beni, Tarija).

Notwithstanding recognition in this document of the principle and legal right of both regional and indigenous 'autonomy' the Development Plan and the new Magna Carta evidently seek to concentrate in the central government the power to

21 Pablo Dávalos, an Ecuadorian sociologist who is very close to the indigenous movement in the region both in Ecuador and Bolivia has documentd and analyzed the search for the indigenous intellectuals to formulate the notion of '*Sumak Kawsay*' ('Buen vivir' or 'to live well') as an alternative to the neoliberal worldview and conception of development. This notion is incorporated in Bolivia's latest National Development Plan as *the* fundamental goal of the government's strategy for change.

distribute export revenues, and to change as and when required any agreed-upon structural and political divisions in the distribution of these revenues.

This class issue is at the heart of the opposition to the Morales-Lineres regime, much more so than the obvious racism that underlies and shapes the attitude toward the government of the political class towards the Morales–García regime, an attitude that is deeply rooted in the dominant profoundly racist mestizo culture and 'civilization'. The class dimension of this issue, and the central political issue of the power to dispose of the windfall export revenues generated by the change in the international division of labour, is reflected in the controversy that surrounded the government's attempt to introduce – 'impose', according to the political opposition – a new hydrocarbon tax law (HDI), which proposed to change in a major way the existing agreement to share the revenues from this tax four ways among the municipalities, the universities, the provincial administrations and the central government.

As it turned out, the government came to terms with the opposition to the new law from the municipalities and the universities, both of which essentially managed to retain their revenues share from this tax. The provincial government's share, however, was impacted in a major way by the government's revenue grab used and needed as a means of meeting its electoral commitments and financing its national development plan. The fight over this issue led directly to the process unfolding around the preparation by the provincial governors of various statutes of regional autonomy and a referendum on these statutes. The statutes prepared for the provincial government by Branko Marinkovic, the biggest landlord in the province and the head of the Comité Civico, the rightwing NGO spearheading the opposition to the government, are particularly radical and extreme in terms of their political import, proposing as they do to constitute legal authority for legal justice as well as security, powers clearly attributed to the central government by the constitution.

The government's handling of this conflict and the growing right-wing opposition to its policies in 2007 requires a closer look to see how in such a short space of time the correlation of forces between the popular movement on the left and the oligarchy on the right changed so drastically. From a disarticulated, defeated and marginal political force at the inception of the Morales–García regime, elements on the right have managed to reorganize and emerge into a powerful, aggressive political force. As to which elements, and what this political resurgence means in class terms, is discussed below ('regionalism, class and the state').[22]

22 On 15 August 2008, opposition leaders in the most resource-rich regions of the country (Santa Cruz, Tarija and Chuquisaca), concentrating 95 percent of the country's gas reserves, declared themselves to be in a 'state of war' against Morales and his proposal to establish a new 'racist' Constitution (de corte indígena) and his persisting efforts to 'impose a totalitarian and racist model' on the country. On behalf of the three Prefectos, also returned to office by the Recall Referendum, Tarija's Bayard, declared their opposition

The issue needs further study but it appears that a major reason for this political turnabout might very well be the counterproductive measures implemented by the regime relative to the demands of the social movements. Although Morales regularly reports to his social base in the popular movement, it would appear that rather than 'leading by following' as per Marcos' maxim, which Morales has quoted favourably, he has managed to manipulate the trust of the movement's leadership into holding back on any substantive move on these demands and in presiding over the effective demobilization of the movements. This is particularly evident in regards to the new Agrarian Reform announced in August 2007. Rather than exploiting its political advantage in the social movements the government sought – unsuccessfully as it turned out – to make an alliance and forge a social pact with groups on the right. The end result: a regrouping and strengthening of the political right and the demobilization of the social movements.

Regionalism, Class and the State – and the Santa Cruz Development Model

The struggle for regional autonomy is not new; it is deeply entrenched in Bolivian history and politics. Both in this historic and in the current context the struggle for regional autonomy reflect not only deep class and race divisions in Bolivian society but also important differences in social formation and development trajectories. At one level, the concentration of state power in La Paz is an essential condition for national development, and this is how Morales and García-Lineres see it. However, from a regionalist perspective it is precisely this concentration that has inhibited and continues to inhibit national development. The argument here, made by reference to ideas advanced by the Marxist sociologist René Zavaleta Mercado is twofold. On the one hand, the rentierist nature of the La Paz commercial 'oligarchy' tends to block any effort by the government to develop the forces of production. On the other hand, the Santa Cruz incipient 'national' bourgeoisie has advanced these forces in the form of a relatively 'successful' (as per bourgeois criteria) model of capitalist development – that is, in the sense of widely if not equitably distributed growth reflected in a poverty rate that at 38 percent is less than half of the rate (83 percent) for the Andean region as a whole. Other dimensions of this regional 'development' in Santa Cruz include a dramatic growth of the population (from some 50,000 inhabitants to 1.5 million some thirty years on; a relatively 'open' social structure with high considerable social mobility and elite permeability.

In the dynamic sector of agro-industrial production serviced by a relatively or incipient entrepreneurial and competitive class of capitalist and small business owners, and a range of relatively productive enterprises, both big and small. Of course, from the standpoint of the entrepreneurs and politicians in the area,

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to any continuing efforts of the MAS to impose a 'racist constitution', demanding that the government attend to their demands while announcing a new round of road blockades.

this 'success' is a function of the distance from a rentierist state that would if it could extend its control over developments in the region, sucking out rent rather than contributing to a process of national economic development and social transformation.

Social Movements and the State: Radical in Discourse, Pragmatic in Practice

> *Soy orgulloso de los movimientos sociales. Yo vengo de allí, ahora hay que fortalecerlos políticamente para enfrentar al imperio.* (Evo Morales, La Cumbre de los Pueblos, 4 May 2008)

> *Va a haber equidad y justicia cuando derrotemos a los gobiernos neoliberales, vamos a erradicar la pobreza cuando derroquemos al capitalismo inhumano.* (Evo Morales at la Cumbre de los Pueblos, 4 May 2008)

> *¡Todo con el pueblo, nada con la oligarquia! ¡Todo por la patria, nada con el imperialismo!* (Patria Insurgnte – Sol para Bolivia, Boletín No. 46, November 2007)

The Morales–García regime has been characterized as 'leftist', 'neo-populist', movementalist and 'proto-socialist' and it is certainly part of the widely perceived shift to the left in Latin American regime politics and part of the Chavéz-led anti-US axis. As noted at the outset, how to characterize and understand the regime is not easy, considering the contradictory moves the regime has made over the past two years, moves that by some accounts reflect the different 'entornos' (currents) represented within the regime, namely 'indigenist' (represented by, among others, Magdalena Cajias, the Minister of Education, and David Choquehuanca, Minister of External Relations); 'Centralist' (García Lineres, Ramon de la Qunhu, minister of the presidency and Suzanna Rivero, Minister of Land and Rural Development), 'Marxist' (Alejandro Almaraz, Vice-Minister of Land and Rural Development, Walter Degadillo, Minister of Labour, Luis Echazu, Minister of Mines); and 'social movementist' (Morales, President of Bolivia), re the argument that social movements are the basic agency of social transformation.

Whatever, the identified 'entornos' within the government, the best way to understand the ideological orientation and class character of the regime is through an analysis of its actual policies and not its discourse. At this level, the regime's actions have been quite contradictory but can be put into four categories: populism, welfarism, neoliberalism, nationalism, and developmentalism. In terms of the relative weight of each category of policy measure the regime might be best characterized as populist developmentalism. García Lineres himself describes it as proto-form of 'Andean capitalism'.

Populism

Policy measures in this category, include the 'bonos de dignidad' given to all seniors over the age of sixty – $18-30 a month to an estimated 1.3 million, to a total of US$33.7 million (programme administered by a network of cooperatives and banks); bonos 'juancito de Pinto' – US$28-30 a year given to all public school children 1-6, some 2.4 million, to a total cost of US$69.7 million (administered by the armed forces to engage them in the process). In addition to these programmes, which can be viewed as welfares and populist, Morales himself, like Fujimori in Peru, since he took office has engaged in a process of direct delivery to communities across the country local development project funds, under banners such as 'Evo delivers, Bolivia changes'. It is estimated that since December 2006 up to US$115 million has been delivered in this way, in addition to material aid from Venezuela and Spain.

Welfarism and Human Development

Besides 'bonos' that deliver up to US$100 millionto the population in the popular sector the government has increased its expenditures on diverse welfare programmes, including subsidizing the delivery of home utilities (water, gas, electivity, telephone) and social housing – reducing by 30-40 percent costs per household. Programmes, supported by the pillar of 'dignity' in the National Development Plan, and aimed at the urban lower middle and working class, include the delivery in 2007 of 2,300 affordable houses, costing the government some $6-8 million, for interest free loan payable monthly at an average $65/ month. Other welfare programmes in the areas of health and education have been delivered through substantial 'aid' from Venezuela and Cuba. Programmes in this area include a literacy programme ('Si Yo Puedo') and community free health clinics offering basic and advanced surgical services. Overall, it is estimated that government programming in this area (health, education and welfare) has increased in Morales' two years in office – particularly in the area of education. Budgetwise this has meant a modest increase in the share of these programmes in budgetary outlays to 18.5 percent, compared to a regional average of 12.7 percent from a low of 6.3 percent in Ecuador to a high of 28.7 percent in Cuba (Alier and Clements, 2007: 4).

Neoliberalism

Key policy priorities under the neoliberal model include (i) increasing international reserves as a signal of economic 'stability' to foreign investors to encourage and attract their capital; and (ii) productive investment leading to 'productive transformation' and technological conversion and modernization, expanded

production and productivity growth – a policy incorporated into the National Development Plan (March 2006) as one of four pillars – 'production'.[23]

To advance this policy the government has used a combination of liberal and structural measures such as (i) increasing the government's international reserves so as to 'transmit … greater confidence in the stability of the country's financial system';[24] (ii) subsidies (subsidized diesel, for example) to agro-export producers and industrialists; and (iii) investment, with international cooperation, in machinery and advanced technology for agriculture and related agro-industrial production – including a $50 million aid package for irrigation, the purchase (from Venezuela in a trade deal in exchange for soya) and free delivery to the Ayllus and peasant unions for them to increase their agricultural productivity; (iv) credit to small traders in textiles for example, to help convert them into producers; (v) micro and small enterprise financing, channelled through decentralized local development programmes administered by the municipalities, to small scale 'entrepreneurs' in the production of food, carpentry, machinery, textiles and shoes, etc.; (vi) a new agrarian reform designed (in theory if not actual practice) to expand the social base of agricultural production via a policy of 'saneamiento' (cleansing) that targets the large tracts of unproductive land held by the large cattle-growers of Santa Cruz; and (vii) support to the small agricultural producers, also channelled though local development channels and institutional mechanisms, to allow these producers to cut out the middlemen in bringing their product to markets and to otherwise increase their access to markets, creating conditions that lead to a expanded local food production as well as the retention of rural labour. It is difficult to calculate precisely from available data, but it is estimated that this sector has received a growing share of government revenues derived from additional resources due to changed conditions for Bolivian commodity and primary goods exports.

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23 As soon as Morales' Minister of Finance took office, he convoked a meeting of the heads of the Central Bank, the Tax and Revenue Office, the Planning and Development Ministries and others to announce that Bolivia would follow four 'axes' of policy: maintaining macroeconomic stability, generating a new tax-paying consciousness, encouraging consumers to buy Bolivian-made products and encourage the use of Bolivian currency instead of the dollar. Arce's defence of the IMF-backed macroeconomic stability pact is a guarantee that government-sponsored social programmes will be severely limited, that no major or minor structural changes (expropriations of land, factories, banks and mines) will be undertaken. Arce's four priorities exclude any redistributive programmes and favour trivial measures, which in absolute terms will have zero impact in lessening inequalities or reducing poverty and – at best – only minimally increasing social services.

24 After fifteen months in office, in March 2007, the government announced that the country's international reserves totalled US$3.7 billion, a record figure, which the president of the Central Bank noted 'transmitted greater confidence in the stability of the country's financial system'.

National Developmentalism

In this category of policies, with reference to and based on the National Development Plan's second pillar (sovereignty), can be found the policy of increasing royalties and the government's share of natural resource extraction and production rents and increasing the level of taxation in the production and export of these resources, particularly in the hydrocarbon (oil and gas) sector. This policy, supported by a policy of renationalizing and the statification of strategic resources, is designed to strengthen the national treasury and the government's capacity to make national policy by taking advantage of the dramatic change and the increasingly favourable conditions in regional and the world market for Bolivian natural resources and primary products. By all accounts, this policy has led to substantial gains for the national treasury.

Not so clear is the overall disposition and the social distribution of these windfall gains and additional resources. What is clear is the government's prioritization in government programming, investments and spending in the area of 'national production' reflected in a significant increase in the level of capital expenditures, estimated to be 'extremely high' (20.1 percent vs. a regional average of 5.9) and a proportional decline in outlays for wages and salaries (-2.1 percent vs. a regional average of 1.5 percent).[25] Other indications of this prioritization include moves to centralize decision-making and strengthen the government's capacity to make national policy and the strengthening local and regional markets.

Behind this policy orientation, also reflected in the government's agrarian reform policy, is the contradictory push towards both decentralization and centralization, the first designed to advance social rather than economic development, the second purging the government into a relation of political conflict with the agro-industrial bourgeoisie and the 'autonomistas' of Santa Cruz.

The overall social character of the government can be determined by an analysis of fiscal expenditures, a class analysis of its allocation. Data are not available in any detail but in terms of data that are available, and the judgments of informed analysts close to the government, there is little to no evidence of any substantial movement towards welfare developmentalism let alone 'socialism'. Notwithstanding a substantial increase in government revenues resulting from a sixfold increase in the price of mineral and energy exports – and the government brags about the US$7 billion in reserves – the minimum wage and public sector workers' salaries have lagged well behind economic growth and inflation rates, and at least 65 percent of the rural population, especially in the indigenous communities, continues to be mired in poverty.

Of 17 countries in the region countries only Paraguay had a worse record in reducing extreme poverty from 2000 to 2007 (CEPAL, 2007: 19). The next worst record was achieved by Argentina. The best record was recorded by Brazil, Chile

25 For an analysis of public spending priorities and patterns in Latin America see Clements, Faircloth and Verhoeven (2007: 12).

and Mexico on the basis of neoliberal policies modified in the Post-Washington Consensus and by means of public expenditures that provided greater benefits to the richest 20 of households than the poorest (ECLAC, 2007b), suggesting that poverty reduction success might well be a result of other factors such as outmigration and remittances, and growth-related new employment opportunities as well as efforts and initiatives by the poor themselves.

Despite the adoption of a national policy regarding indigenous peoples regarding health and education (free and preferential access), and external funding of these programmes (by Cuba and Venezuela) there is no evidence in Bolivia of any change in the grossly inequitable distribution of wealth, assets and income – or in the incidence of poverty. The palliative measures of the government have not affected in any way the social structure of this distribution. By the last count 63.9 percent of Bolivians remain poor in a context of deeply entrenched disparities.

As for public social expenditures regarding this problem, Social expenditures (on education, health, education, social security and welfare) at 18.5 percent of fiscal revenues is above the regional average of 13 percent (although in Brazil it is 22.5 percent). These expenditures continue to prioritise social security and welfare, and then education, but overall these expenditures are very poorly (or inefficiently) targeted, providing, it turns out, as much benefit to the well-to-do and the few rich as the poor (ECLAC, 2007b: 26).

As for the 'productive sector' of the population, despite serious and growing opposition from this sector, it turns out that the agro-industrial bourgeoisie has clearly benefited from government policies that include the subsidization of inputs and imports such as diesel fuel, freeing local producers in sectors of national production from taxes where and when there are no external markets for their products, and reducing overall tax contributions from around 25 to 13 percent, and assuming heir debts to the World Bank and the Inter-American development Bank.

As for the middle class, different sectors of the working class, the small producers and business operators, the peasants and the indigenous communities, each have been the beneficiaries of some government programmes, policies, investments and spending. Even, global capital in the form of foreign investors and multinational corporations, despite the fact that they are not part of either the government's social base or its national development strategy, have been the beneficiary of government policy.

So what dos this mean for an overall description and characterization of the regime. Perhaps 'pragmatic social liberalism' and a populist form of national developmentalism. This could be a formula for García Lineres' vision of 'Andean capitalism'.

The National Development Plan (PND): Achievements and Shortcomings

The National Development Plan was presented mid-2006 by the government as 'an instrument for transforming the national economy'. Two years later, CEBEM, the Bolivian Centre of Multidisciplinary Studies (see also our analysis above) draws the following conclusion:

First, one of the most striking features is the 'weak relation' between the Plan's postulates and what actually transpired. For example, the Cebem report notes, the Plan postulates the predominance of the state in the dynamics of economic growth and capital formation but to date the private sector continues to dominate both.

Second, the PND assigns a dominant role to the small producers in both the cities and the countryside in the generation of value added to national production, but the government's own data and projections point towards the predominance of foreign direct investment over small-scale production.

Third, the PND projects a change in the structure of production if not the composition of exports – towards greater diversification of production. But official data shows that natural resource and primary commodity production makes a larger contribution to the GDP than it did prior to the Plan's application. The primary sector of national production continues to generate 28 percent of the GDP (services 50 percent), the same as in 1990. Practically 75 percent of exports are composed of primary commodities and the PND itself projects that by 2011 they will represent 30 percent of the GDP. As for 'productive transformation' there is little evidence and the little evidence that there is points towards marginal productive transformation without the 'equity' prescribed by ECLAC (1990) and policymakers under the Post-Washington Consensus.

Fourth, the PND defined 'the government's central challenge' as 'the utilization of the financial resources generated by the increase in world prices to meet the demands of the majority of the population'. But, Cedem points out, this did not happen: 'the country has been totally unable to take advantage of either the increase in the world price of primary commodities or the growing demand for manufactured products'.

Fifth, the growth that the country has experienced (not very different from years past and below the regional average) is largely a matter of increased externally financed consumption and to some degree illegal activities. In this connection, foreign investment inflows have been less than expected while inflation has far exceeded even the most pessimistic expectations. The one change that can be detected is a slow but steady increase in the government's intervention in the economy.[26] However, this intervention has not resulted in the accumulation

26 In the PND public investment, which represented 5.1 percent of GDP in 2005, would rise to 9.5 percent of GDP in 2011. As for private investment, the bulk of which was anticipated to derive from FDI, it represented 7.1 percent of the GDP in 2005 but was expected to increase to 17 percent in 2011. That is, government intervention in the economy was not projected in the form of capital formation and productive investment. Public

of physical or human capital. The most tangible result has been an increase in the rate of inflation, which is but one manifestation of an unsustainable growth model, a severe 'structural problem' that is 'eroding the competitivity of national production', fails to 'generate employment in any form' and, worst of all, 'a regressive impact on income distribution'.

Sixth, given the evident disjunction between the Plan's promise and actual results – 'this is no time to continues to describe ideals to an audience' who, Cedem points out, expect instead of rhetoric concrete results such as a halt to increased inflation, capital formation and productive investment leading to more employment and income, and an expansion of the domestic market – in short, a process of productive and social transformation with equity.[27] It is evident hat the government has failed miserably in this regard.

The Morales–García Regime on Balance: Who Benefits? Who Loses?[28]

Economic statistics from 2007 and 2008 point towards gains by the government as well as the leading capitalist corporations, both domestic and foreign. At the level of stats it is evident that the government and these corporations have substantially benefited from the increased resource rents and increased prices for Bolivia's exports over the past few years. In the first 18 months of the self-styled 'democratic and cultural revolution' wrought (or rather, announced) by the government revenues derived by the government from taxing exports reached an all-time high – 11.2 percent over 2006 – and corporate profits grew by 20.1 percent, while the value of wages (and share of national income) fell an estimated 7 percent (Tabera, 2007).

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investment in the hydrocarbon sector, for example, over the past two years were barely 16 percent of projected levels. In any case, the actual inflows of FDI over the past two years were less than 50 percent than projected. As for the 'nationalized' enterprises, they did not contribute to the posted surplus on the national trade and current accounts. Rather, they provided the government a deficit of Bs400 million in 2006 and Bs600 million in 2007.

27 As for employment the PND projected the creation of 70,000 new jobs in 2006 and 2007 and another 100,000 in 2008. In this connection, the ministry of Labour reported a decrease in the rate of unemployment from 8.2 percent in 2006 to 7.8 in 2007. But this marginal change should be interpreted in the context of a massive outmigration process. Over the last year and a half from 250,000 to 300,000 Bolivians abandoned the country and migrated to Spain, Brazil, Argentina and he US.

28 Many if not most obsrvers and analysists, and by no means just in political opposition, take it as a given that 2008 will be a worse year for the government than the past two years – or rather, a 'worse year' by the government. Just to cite a few examples: Finance Minister Juan Cariaga (2008) argues that 2008 is bund to be even more inflationary than 2007. Former Central Bank president Armando Mendez warned that inflation over the past 12 months in Bolivia is already at 17 percent. He added that the era of cheap food is over, suggesting that – givn the government's policies to date in the area – the near future will see both increased inflation and massive social protests.

These 'developments' mirrored a trend visible in 2006 and traceable to the turn around in the global economy vis-à-vis primary commodities in 2003-2004.

The cause of this double paradox – double in that a growth in disparity in the distribution of income is understandable in a neoliberal regime, and indeed the dominant trend throughout the 1990s, but unexpected in an ostensibly anti-neoliberal regime committed to social justice – is threefold. First, continuation of the neoliberal model installed in 1985 and in place throughout the 1990s. Second, existence of a dual economy, one that supports a capital-intensive growth process based on the export of natural resources and primary commodities, and another based on the productively marginal activities of the peasant rural economy and the urban economy of informal street workers. Third, government policy regarding the distribution of the government-appropriated income derived from exports. Notwithstanding the rhetoric in this area it is evident that the lion's share of these proceeds have gone to the capitalist sector.

Another paradox in the government's policy is that despite the government's serious political skirmishes over the Constituent Assembly and the movement of regional autonomy with the Santa Cruz and 'media luna' oligarchy, and the forces on the political right, for these inserts and forces the government's economic policy is nothing less than a bonanza, as pointed out by no less than the functionaries of the World Bank and the IMF.[29] According to Ministry of Finance data, the profits officially declared by the medium and large-sized enterprises in the private sector doubled from the first trimester of 2005 to 2007. As for the dozen or so foreign and national commercial banks operating in Bolivia in the first semester of 2007 they made a net profit of US$42.9 million, far more than in any year over the past two decades – and in 2007 bank profits reached US$93 million (Ampuero, 2008)[30] – adding substantially to the US$57 million made in the first year of Evo's government.

In effect, Bolivia's domestic and foreign 'entrepreneurs' – those who the government deems to be 'productive' (that is, who add to the country's wealth rather than those who live from it or speculate with their capital) – are making substantially more money under Morales and García and their regime than during neoliberal regime of the dominant political class – both the La Paz 'blancoide' oligarchy and the Santa Cruz 'oligarchy' (basically an agro-industrial bourgeoisie). Private sector exports in 2007 exceeded US$4 billion, and, of course, the lion's share of the profits derived from this 'growth went to the big corporations of the eastern lowlands agro-industrial bourgeoisie and exporters of oil and gas exporters,

29 As for the World Bank, the Chief Economist for Latin America and the Caribbean, William Perry, says forthrightly (World Bank, 1999): 'It seems to me that Bolivia is doing things well. It has been following a very "careful" macroeconomic, fiscal, monetary and exchange rate policies. At the moment there are some problems with inflation, which has turned out to be very complex, but in general the government has performed remarkably well ("bastante bien, muy bien")'.

30 Personal communication.

who benefited substantially from the growing demand for and rising prices for their products (CEDIB, 2007). In 2007 profits in the corporate sector of the economy grew by an estimated 20 percent.

As for the government itself, in few times in Bolivia's history has it experienced such a windfall, leading not only to a balance but a surplus on its current, capital and fiscal accounts.[31] With increased royalties (from 19 to 50 percent on the volume of production) in the hydrocarbon sector and a quadrupling of export taxes Bolivia's international currency reserves have also quadrupled, allowing the government to pay down some of the external debt[32] and attract foreign investors.[33] What is not noted, and either ignored or downplayed, is the fact that the government's 'pro-growth' market friendly policies are not in the least 'pro-poor': while the economy from 2003 to 2007 expanded by an estimated 19.3 percent another 130,000 were added to the number of Bolivians living in poverty (Gray, 2008). It is further estimated that for poverty not to grow any further a GDP growth of 6 percent would be required (versus an average of 3.9 percent over the past five years and 3.8 percent in 2007) – and this assumes a switch towards more 'pro-poor' policies by the government.

By some accounts there are at least 300,000 unemployed with next to no income – clearly not beneficiaries of the 'new growth'. Indeed these unemployed, are in the same situation as the mass of 'employed' workers, more than half of whom earn miserly wages at or below the legally prescribed minimum wage, which, at $62.50 a month, is set precisely on the World Bank's conservatively 'international poverty line'. In addition the urban and rural poor, unemployed and employed, have to contend with a situation of rising inflation and an erosion in the purchasing power of wages – down 6.43 percent from January to July 2007 and continuing to fall.

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31 The decision to use the additional fiscal resources to balance the budget and national accounts, pay down the debt and build up international currency reserves was clearly 'political', i.e. made by government officials. But it also responded to the concern of foreign investors and a dictate of the IMF and the World Bank, which in its 1999 'review of public expenditures' insisted that 'to maintain a sustainable fiscal path, Bolivia must improve the non-pension fiscal balance from the present zero to a surplus of 1.5 percent of GDP by the year 2002' and also to 'prepare a soft landing for the expected reduced access to concessional external financing over coming years'.

32 Alier and Clements (2007: 4) note that notwithstanding strengthened primary balances, public debt ratios remain above desirable levels in many countries in the region. 'On a weighted average basis, public debt in Latin America is projected to remain above 50 percent of GDP by end-2006, little changed from the ratio prevailing in the mid-1990s. Given that the prudent maximum level of debt for a typical emerging market is generally much lower – according to some estimates, as low as 25 percent of GDP – debt burdens remain a challenge to entrenching macroeconomic stability.'

33 According to the Ministry of Finance, tax earnings by the state in the first six months of 2007 reached a historical peak at a 10,960.2 million Bolivianos (almost US$1.4 billion). This figure represents 1.2 percent growth since the first quarter of 2006 and 80 percent since 2005. In absolute terms these increased state revenues means an additional US$140 million since the first quarter of 2006 and US$400 million since the first quarter of 2005.

It is estimated that the working class in 2007 lost 10 percent in the real value of wages, and, given the increase in inflation (especially in regard to food prices for food) in 2008, the condition of workers have deteriorated even further, despite – or rather, because of – government policy. According to Pedro Montes, Leader of the COB, the average worker today barely earns 800 Bolivianos ($100), nowhere near enough to support a family – and jornaleros barely make half of this (400-500 Bolivianos), below even the World Bank's miserable poverty line. Fortunately for teachers and other public sector workers, their salaries and wages – according to the World Bank in its review of public expenditures, are not an issue for public policy or expenditure: 'although there is heterogeneity … (and the salary scale) needs modification to increase incentives (for teachers) to undergo training and improve teaching … teachers' salaries are competitive … the issue of teacher compensation … is not a matter of raising the salaries of underpaid teachers' (World Bank, 1999: Executive Summary).

In the face of a steady deterioration in the value of wages, and a deterioration in the income situation of most workers, the government has responded with several populist palliative measures that has not in any way begun to change the structure of income distribution or the poverty situation of a large part of the working class and the country's indigenous peasants who voted for Evo in the expectation that he would begin not only to redress their situation but to institute structural change in the direction of 'una vida mejor para todos'. How much time the rural and urban poor, and the social movements, are willing to give the government to make a substantive move in this direction will determine the shape of Bolivian politics in the next few years to come.

For now COB and the leaders of all the major mining, teachers and neighbourhood movements have sent a clear and forthright message to all their affiliates to prepare for direct action if the government reneges on three central demands of the people: nationalization of gas and petroleum and the expulsion of the multinational petroleum companies; the expropriation of the large landed estates and the redistribution of 25 million acres of land to the landless peasants; and an immediate decent raise of the national minimum wage.[34] In the context of these demands, the great majority of movement leaders and activists, both Indian and Mestizo, are not impressed by the indigenous rituals and the cultural theatre organized by the government entourage. Nor are they impressed by populist handouts or rhetoric. They are indeed prepared to relaunch mass mobilizations when and if it becomes clear to the poor that the government has embraced the agenda of the bankers, transnational corporations and agribusiness owners.

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34 In July 2008, at the time of this writing, the working class has continued to press the government to make good of its promises and meet its demands. For but one instance, the Oruro Workers' Central (COD) on 21 July initiated an indefinite general strike with the demand for the government to adopt a new Pension Act, fulfilling thereby its October 2003 agenda, plus approval and a living wage commensurate with the increase in the cost of the 'canasta básica'.

Bolivia is not Brazil. Nor is it Argentina or Uruguay or Chile where the centre-left regimes are in control of the trade unions and sectors of the social movements. The most important trade unions are totally independent of the state, Evo's party (MAS) and his cabinet. The transition of Evo from mass peasant leader to accommodating statesman for the multinational corporations will not be easy or a smooth operation. More likely he will soon face the challenges and political instability that sent his two predecessors into early retirement.

With the resurgence of the right and the virtual takeover of half of the country, its richest regions representing over 50 percent of the GDP, there has emerged a serious question as to whether Morales will be able to finish his term in office, notwithstanding the positive outcome of the Recall Referendum.

Will the working class, provoked by the overtly ugly racism and power grab of the fascist right, and the continuing paralyzing 'strikes' and violent attacks against government supporters, finally launch a counter-attack?[35] And what form will such an offensive take? Will it be directed against the hard right and the forces of reaction in the resource-rich provinces or against the central government for failing to change the course of neoliberal policy and act on its pressing demands? Will such a counter-offensive be coordinated with other sectors of the popular movement that are ranged behind the government?

As for the government, the successful Recall Referendum provided an opportune moment to press its advantage against a momentarily weakened enemy. The right responded by immediately orchestrating a series of protest actions, taking over the streets with its fascist banners in five of the country's biggest streets. Having just won the Referendum in 95 of 112 electoral districts across the country, the logical and opportune response of the government would have been to take the offensive in support of the call by COB activists to 'destroy the enemy and vindicate the "October (2003) agenda"' regarding 'land, the mines, agribusiness, gas and oil'. Instead, while 'the Right took over the streets, Evo counted his votes', calling for conciliation and dialogue with the opposition leaders (Colectivo Militante, 2008). The reactionary right, however, at this point was not in a position to press its campaign and demand that it has the ownership right to appropriate 100 percent of the wealth generated by the exploitation and export of the country's wealth. The government had on its sides 'the people' but would it act? It is precisely on this point that we conclude this chapter – the government's response up for grabs.

35 Nineteenth of August. The conservative opposition on Tuesday partially succeeded in paralysing five departments of Bolivia, in a new strike marked by violent incidents, with the balance of five injured, against the plans of socialist indigenous president Evo Morales. The protest measures, that included a hunger strike, a 24 hour strike, highway blockades and intimidating actions of the fascist Unión Juvenil Cruceñista (UJC), had a relatively high support in the urban areas of the 'media luna'.

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Chapter 5
Cuba: Continuing Revolution and New Contradictions

The Cuban revolution with its socialist economy has demonstrated unprecedented resilience in the face of enormous political obstacles and challenges. It successfully defied a US-orchestrated invasion, naval blockade, hundreds of terrorist attacks and a long-standing and continuing boycott (Morley, 1987). Cuba was able to withstand the system-threatening fallout from the collapse of the USSR and the Eastern European collectivist regimes, and it has managed to adjust to the new world order – and China and Indo-China's transit to capitalism – without abandoning its socialist path to national development.

As many scholars and political leaders – including adversaries – have noted, Cuba has developed a very advanced and well functioning social welfare programme characterized by free, universal, quality health coverage and education from kindergarten through advanced university education (Ernst and Young, 2006; Vascos Gonzalez, 2007). In foreign as well as domestic policy Cuba has successfully developed economic and diplomatic relations with the entire globe, despite US boycotts and pressures (Ernst and Young, 2006, Part III: 36). On questions of national and personal security Cuba is a world leader. Crime rates are low and violent offences are rare. Terrorist threats and acts (most emanating from the US and its Cuban exile proxies), have declined and are less a danger to the Cuban population than to the US or Europe.

But it is precisely the successes of the Cuban Revolution, and its ability to withstand external threats that would have brought down most governments, that now has created a series of major challenges that require urgent attention if the revolution as we know it is to advance in the 21st century. These challenges are a result of persisting external constraints as well as internal political developments. Some are inevitable consequences of emergency measures and structural reforms introduced in the 'special period' but are now pressing for immediate solution and radical change. This chapter will elaborate on the dynamics of these challenges to the Cuban revolution.

Revolutionary Virtues

The great virtue of the Cuban revolution is that it survived, maintaining many of its positive social achievements when many previous and subsequent reformist or revolutionary regimes were defeated or overthrown or collapsed. The US and its

allies overthrew the reformist regimes of Arbenz in Guatemala (1954), Mossadegh in Iran (1953), Allende of Chile (1973), Lumumba in the Congo and many others. The White House ousted the Sandinista Government in Nicaragua in 1989, the Aristide regime in 1992 and 2004 and many others. In contrast, Cuba defeated a US-sponsored invasion in 1961, resisted a US naval blockade in 1962, rebuffed hundreds of CIA-organized assassination attempts and terrorist attacks over a half-century, and managed to overcome a worldwide economic boycott and stay a socialist course under adverse conditions of neoliberal globalization (Morley, 1987).

At the outset, thanks to astute diplomacy, Cuba had secured favourable and opportune trade and aid agreements with the former USSR and Eastern Europe. And by the end of the 20th century, notwithstanding the US boycott, Cuba had diplomatic and economic relations with almost the entire world. In 2001 Cuba even broke the US trade embargo by importing (albeit on unfavourable, one-sided terms) food and medicine from US exporters and farmers.

However, the sudden collapse of the USSR and the conversion of Russia and Eastern Europe into capitalist dependencies were devastating blows to the Cuban economy. The loss of trading partners led to a precipitous decline of production.[1] And with China's transition to capitalism for Cuba there was no alternative but to navigate the turbulent disorder of neoliberal globalization. The Cuban government adopted an emergency economic strategy, inaugurating therewith a 'special period' of forced austerity and structural adjustment that spread the pain of economic recovery throughout Cuban society – unlike the experience in the capitalist countries where the pain and 'transitional' social costs of 'adjustment' were inevitably and disproportionately borne by the working class and the poor.[2]

Between 1990 and 2000, Cuba reconstructed its economy to meet the new exigencies of the world economy while retaining its social safety net and social programmes, an unprecedented accomplishment. Not one hospital or school was privatized or closed down in the Special Period. In 2003 the economy began to recover, with annual rates of economic growth that climbed to 11.8 percent in 2005 and 12.5 percent in 2006 before leveling off at 7.0 percent in 2007 (ECLAC, 2007b: 85).

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1 In the period 1990-1994, the GDP contracted upwards of 35 percent. The enormity of this economic dislocation, derived largely from the disintegration of the USSR that had accounted for 87 percent of Cuba's trade relations, meant that Cuba needed to make a major economic adjustment. In short, Cuba had to stabilize its economy that by 1994 was severely distorted, as a result of which was that the Cuban peso that had virtually lost all of its value. At the same time, the country had to make the appropriate 'structural' changes to its economy in order to reinsert itself in the competitive world market.

2 It is worth noting – particularly in the face of the misconceived idea that national policy in Cuba is entirely shaped by decisions at the top by the maxium leader, Fidel Castro unless recently, Ráuk Castro since – that the government's first austerity plan by the National Assembly in 1993 was rejected by the populace, leading to subsequent mass national consultations and what have been termed 'Worker's Parliaments' to formulate a new austerity plan, one that was eventually adopted by the government (Saney, 2004: 51).

It appears that Cuba weathered what might be viewed a 'perfect storm' on the high seas of global capitalism and US imperialism – with a massive assault on the country's capacity to survive. Cuba's survival and recovery were based on what in retrospect can be seen as a successful strategic and policy response to winds of change in the new world order.

Several elements of this strategy can be readily identified: rapid and comprehensive development of the tourist sector through large-scale, long-term investments in association with European and Latin American and multinationals; massive investments in biotechnology to stimulate research and the development for export of pharmaceutical products; long-term, large-scale trade and investment agreements with Venezuela involving Cuban medical teams and medical facilities in exchange for petroleum products on favourable terms; joint ventures with Canadian and European firms to develop and export nickel, rum, tobacco and citrus products; and food import agreements with US and Canadian agribusiness corporations (Ernst and Young, 2006). The majority of Cuba's sugar mills were closed down, sharply reduced sugar production and reconverting cane fields to alternative crop production on a limited scale. Major investments in new advanced schools of computer science ($200 million dollars),[3] medical tourism and external humanitarian projects continued.

This economic strategy, combined with favourable external conditions (high world prices for commodities such as nickel, the radicalization of Venezuelan President Hugo Chávez, the shift from far-right wing to moderate centre-right neoliberal regimes in Latin America) and the apparently willing sacrifice of the majority of the Cuban people, led to a gradual but steady economic recovery from 1999 on, followed by accelerated growth as of 2003 (Ernst and Young, 2006, Parts I-II; ECLAC, 2007).

From deep depression to economic recovery the Cuban Government maintained the basic structure of its social network and welfare provisions. All of the major health and educational programmes continued to be free and open to the public. Workers displaced as a result of economic restructuring continued to receive their wages and were offered state-funded jobs and retraining programmes. Rents and charges for public utilities remained low. Pension payments continued. Food subsidies and rationing of basic items continued, providing a measure of food and economic security. Cultural, sports and recreational activities progressed despite sharp cutbacks in funding. Despite general scarcities, low consumption and social deprivation crime rates remained far below Latin American and US levels.

National security institutions successfully protected the Cuban public from US-backed terrorist attacks and domestic destabilization efforts sponsored by White House-funded 'dissident' organizations (Petras, 2003). Despite Cuba's greater economic vulnerability it rejected US and European Union attempts to dictate

3 Interviews with the Director of the Computer Science University, 11 February 2006. See also Ernst and Young (2006, Part VI).

domestic security and economic policies.[4] Cuba rejected Washington's attempt to convert Cuba into a free market satellite similar to the Eastern European, Caucasian and Russian examples and it pursued its own independent path, maintaining intact, albeit somewhat battered, the socialist model.

Unlike the formerly communist countries of the USSR, Eastern Europe and Asia, Cuba's transition to a new economy did not result in monstrous inequalities with which a tiny group of billionaires and multi-millionaires seized control of public assets and resources, leaving the rest of the population poor and jobless and facing skyrocketing rents, inaccessible privatized health and education and miserable pensions (Hoffman, 2003; Klebnikov, 2000; Petras, 2008). The government also retained the majority share and control over most (if not all) joint ventures with foreign capital (Ernst and Young, 2006, Parts IV, VI), in contrast to the situation in East Europe and elsewhere in Latin America where US and European companies and banks have taken over almost every major enterprise in the manufacturing, financial, media and commercial sectors of the economy.

Even more noteworthy, unlike Eastern Europe and the ex-USSR, Cuba did not suffer the massive outward transfer of profits, rents and illegal earnings from large-scale networks of prostitution, narcotics and arms sales. Nor was Cuba's transition to a mixed economy accompanied by organized criminal syndicates, which played such a major role in the making and unmaking of electoral outcomes in Bulgaria, Poland, Romania, Albania and the rest of the new capitalist democracies (Klebnikov, 2000; Hoffman, 2003).

Cuba's success in overcoming an array of major structural and political obstacles to its survival, its striking economic recovery and formidable national defence force reflects a successful economic strategy and the ability to tack with each change in the turbulent winds that prevail in the world market.[5] But it is due in large part to a combination of popular perseverance, loyalty to revolutionary leaders and

4 Interview with Felipe Perez Roque, Cuban Foreign Minister, 4 February 2004.

5 One instance and demonstration of this disposition to 'correct' errors in policy or adjust to changing conditions was the 'rectifications' in economic strategy implemented by the government in the mid-1980s in response to a drastic fall in the GDP from an 8.5 percent annual growth rate in 1980-1985 to barely 0.7 percent from 1986 to 1989 (UNDP, 2000: 57). The rectification process included policies that restricted market activity in the state sector and in the private sphere. Farmer's markets that had been introduced in the previous era were abolished. Private activity in the service sector, construction and petty commerce were also eliminated. The reasons for government restrictions on private market activity were twofold. Firstly, market measures had produced inequalities. Secondly, in allowing for market measures in the private sector and state sector, the government had lost much needed fiscal revenue. Much of the private activity was at the state's expense. For example, in the agricultural sector, private farmers would sell the state its worst quality products in order to save the best products for personal profit on the farmers markets. The government's policy of supplying cheap credit, machinery and inputs to farmers also aggravated the state's financial burden. In the urban private economy, many workers would steal resources from state jobs in order to sell in the private market. As well as they absented themselves from

the continued embrace of common values of egalitarianism, solidarity, national dignity and independence. Even so the very success of the Cuban government in meeting and overcoming the obstacles resulting from the US boycott and collapse of the USSR has created a new set of challenges and contradictions.

Challenges of the New 'Post-special Period' and the Government's Response

Promotion of tourism as an engine of economic recovery was the fastest, easiest and most rational use of Cuba's natural endowment to compensate for the economic depression, scarcity of capital and political isolation. Moreover, it was the tourist sector, which most interested prospective foreign investment partners. Tourism generated scarce hard currency with which to import essential commodities, especially petroleum and manufactured products, medical supplies and food.

But over time tourism led to major distortions in the economy: unskilled or semi-skilled tourism-connected employment earnings or purchasing power capacity far exceeded those of highly-trained scientists, doctors, skilled workers and agricultural workers among others. Moreover, the 'mixed enterprises' in the tourist sector led to the emergence of a new and relatively rich bureaucratic social stratum and the growth of social inequalities, particularly in the distribution of income (Castro, 2005). Then-President Fidel Castro here emphasized the point that the Revolution faced its principal danger from the new class from within.

Equally troubling and potentially damaging is that the massive influx of tourists led to the growth of a lumpenproletariat, prostitutes, drug pushers and other forms of non-productive 'hustlers', whose illicit earnings exceeded those of workers, employees and professionals. This group developed networks with hotel, restaurant and nightclub managers, which encouraged corruption and challenged the revolutionary ethos. Continued scarcity, low real purchasing power and the absence of desired consumer goods weakened the government's campaigns to 'moralize' tourist activity without driving out the tourists.

Large-scale, long-term investments in tourist infrastructure – hotels, restaurants, imported furniture and food – also diverted funds from agriculture. Agricultural production, especially in foodstuffs for the local population declined significantly, encouraging the widespread of black, gray and 'free' markets. Cuba became a food-dependent country, a problem of significant proportions in the emerging new global economy in which food inflation is becoming a critical issue (Castro, 2007).[6] Raúl Castro, Fidel's brother who was delegated the responsibility of head

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their state jobs in order to profit from private initiatives, while still retaining their official wages and benefits.

6 On this point see the address for the Presidential Summit 'Sovereignty and Food Security: Food for Life' by Esteban Lazo Hernandez, Vice-President of Cuba's Council of State, 7 May 2008, Managua, Nicaragua. 'The facts speak clearly for themselves. In 2005, we used to pay $250 for every ton of rice we imported; now we pay $1,050, four times as

of state by the leadership on Fidel's illness, here emphasized the need for greater domestic agricultural production, especially of foodstuff for local consumption, pointing to 'structural deficiencies'.

One critical dimension of this issue – other issues include food insecurity and a weakening of the local food production sector – is the fact that already up to one third of government revenues generated in the tourist sector are needed and used to pay for food imports. While tourism has attracted hard currency, hundreds of millions of dollars were spent on importing food from the US, Canada, Argentina, the Dominican Republic and elsewhere. Food dependency on the US increased Cuba's vulnerability to any tightening of the export embargo. Thus it could be argued that Cuba's national security was weakened by the government's paying hard currency upfront, as required by the US Treasury Department, for an increasing proportion of US food imports.

Some political commentators inside and outside Cuba have argued that US farmers, agribusiness firms and politicians (from more than thirty states) involved in trade with Cuba constitute a powerful lobby capable of pressuring for an end to the White House's blockade. But the evidence fails to bolster this argument. As recently as 20 February 2008, on the announcement of Fidel Castro's retirement from office, the White House declared its intransigent opposition to relaxing the blockade. Over the past decade, under Presidents Clinton and Bush, the US government made no real progress towards easing the pressure on Cuba. On the contrary, as Cuba's imports from the US increased so did restrictive congressional legislation on travel and remittances, blacklisting third country enterprises as well as White House funding of destabilization and propaganda campaigns.

While tourism served as a needed immediate strategy in the Special Period, unfortunately it has become an entrenched and strategic growth sector of the economy. Thus Cuba continues to follow its traditional cycle of 'monoculture' dependency – shifting from sugar export to the US and then to the USSR and Eastern Europe, then to tourism for Canadians and Europeans. The problem with the new dependency (as with the old) is that it provides a 'short-term' solution while deepening long-term structural problems, including a misallocation of human resources (architects becoming bellboys, professors taxicab drivers) and the lack

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much. For a ton of wheat, we used to pay $132; now we pay $330, two and a half times as much. For a ton of corn, we used to pay $82; now we pay $230, nearly three times as much. For a ton of powdered milk, we used to pay $2,200; now it is $4,800. This is a perverse and unsustainable trend. This phenomenon undermines the internal markets of most countries in our region and around the world, affecting the population directly, particularly the poorest sectors, bringing poverty to millions of people. A few decades ago, there were countries that grew their own rice and corn. But, following the neoliberal recipes of the IMF, they liberalized the market and began to import subsidized US and European cereals, eradicating domestic production. With the rise in prices at the pace we have mentioned, a growing number of people can no longer afford to eat these basic food products. It comes as no surprise, thus, that they should resort to protests and that they should take to the streets to find whatever means they can to feed their children.'

of a diversified economy with resiliency to cope with the inevitable economic cycles endemic to the world capitalist market.[7]

Cuba's growing food dependency, reflected in the increased importation of rice, beans, poultry, pork, beef and other essentials (including, at times, sugar) in the Cuban diet, is becoming acute. In his 26 July 2007 speech, Raúl Castro pointed to the enormous increase in prices of imported food, citing the threefold increase in the cost of powdered milk in the previous three years; the 10 percent increase in the price of milled rice between 2006 and 2007 and a doubling of the price of chicken.

Cuba's agricultural production is directed in large part toward the tourist and export market: tobacco, citrus, tropical fruit, sugar (barely). Much of the quality fruit, meat, produce and poultry is sold in the private 'farmers' markets, or in the special stores which trade in dollars or 'convertible' currency. As a result, there is a scarcity of products at the state-subsidized neighbourhood stores. The development of 'urban gardens' has been one solution for certain neighbourhoods – providing fresh quality 'organic' produce – but fail to cover much of the population's needs.

The decline in food production, especially rice (Cuba imports over 75 percent of its rice!) is striking. We were told by a leading Cuban economist that this was the result of a lack of agricultural workers willing to farm rice – a labour-intensive crop – at least for the pay offered in comparison to employment in non-agricultural sectors. With its low birth rate and very highly educated population, Cuba lacks agricultural workers. However for unspecified and unclear reasons, the government rejects the idea of encouraging emigration from countries with a surplus of skilled agricultural workers, like Haiti, to bolster its declining farm labourforce and increase the production of basic domestic food crops on which food security depends. Cuba's agricultural dependency on foreign capital, especially Israeli investors in the citrus sector, is also incomprehensible given the abundance of agronomists, agricultural extension operators and opportunities to learn marketing skills (Alon, 2007).[8] The world citrus market has been particularly

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7 This and other structural and social problems deriving from the strategy of tourists development are serious enough and need to be dealt with. Nevertheless, positive factors in the government's implementation of this strategy included the provision of a majority government stake in the industry and the eventual assumption of full infrastructure ownership by the state after a minimum 15-20 year profit agreements with investors. Also, the misallocation of human resources in the personal decision of many professionals to enter the tourist sector as a means of improving their earned income also reflects Cuba's over-production of professionals, a problem which is partially relieved through the emphasis on the export of educational and health services.

8 The report in the Israeli press refers to Rafi Eitan, former head of Israel's secret police, Mossad's European operations: 'Eitan is a partner in a company that owns vast orchards in Cuba … The company deals with agriculture in Cuba … producing citrus juice concentrate in the world's largest plant.' Israeli capitalists are investing tens of millions of dollars into a Havana office complex, which will consist of 18 six floor office buildings

lucrative for Brazilian capital, at least since the 1960s, while Cuba turned to the market very belatedly and in part via foreign capital – transferring profits abroad. This might be put down as one of a number of inevitably mistaken tactics in a strategy of economic development, one that any number of governments or private firms might and regularly do make, but it also seems to be part of a disturbing pattern of ignoring good as well as bad advice from constructive critics.

While Cuba effectively channelled large-scale capital investments into tourism, biotechnology and other productive sectors, it has neglected its housing sector, creating a 10-year waiting list for over a million families. Although the government is clearly aware of and has begun to redress this problem, by some accounts and anecdotal evidence, the housing deficit is a major source of social discontent, even among its mid-level party and government officials who have to live with their in-laws. In addition, current housing is in great disrepair, especially pronounced in 'old' Havana, where even low cost paint and plaster could revitalize many badly deteriorated working class neighbourhoods.

While the government has announced a programme to build 100,000 homes and apartments a year, the programme suffers from bureaucratic delays and mismanagement, the pilfering of building materials by officials, low labour productivity and an inadequate supply of building materials.[9] Notwithstanding recent policy moves in this area,[10] housing has not received the priority that the hotel-building tourist sector received over the past 20 years. The emphasis on 'economic recovery' during the Special Period has led to an under-emphasis on basic consumer needs in the housing sector, creating a major deficit vis-à-vis the socialist human development model used to guide government policy.

The prioritization of short-term production over consumption is leading to what could turn into long-term problems of discontent among a sector of Cubans who have all the markers of a middle class standard of living except for an exceedingly low level of material consumption. Cuban demographers have noted the absolute decline in Cuba's population as well as an aging population, lowering the number of people available for productive work (Arreola, 2007; Xinhua, 2007).

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located on two million square feet. The project is a joint venture between the Cuban state agency, Cubalse and Grupo BM, an Israeli conglomerate headed by Rafi Eitan.

9 See *Juventude Rebelde* (18 June 2007) in Arreola (2007). According to the trade union publications, Trabajadores, of 8,934 housing units approved for 2005, only 1,445 were built as of May 2007.

10 Notwithstanding the obvious and acknowledged housing deficit, Oris Silvia Fernández Hernández, first vice-president of the National Institute of Housing (INV), on 17 December 2007 announced that by the close of 2007 some 52,000 houses will have been completed in our country and some 180,000 repairs and renovations will have been carried out. 'This is a very accurate forecast', she said, 'although these figures won't mean the 100 percent execution of the strategic program of house building that the country has been implementing since the end of 2005 … 2007 will be the third year that Cuba has achieved important results in such a vital activity, though the larger quantity of finished houses was achieved the year before with 110,000 and, before that, with 57,000.'

According to Cuban population analysts the key socioeconomic factors that account for the demographic crisis is the lack of housing and the high cost of living (Oficina Nacional de Estadísticas – ONE, 2007). It could be argued that Cuba's economic development from this point forward, as well as its social stability and political legitimacy, require that top priority be given to home building, repair and rehabilitation (Xinhua, 2007).

Cuba's relatively low economic productivity, the 'bureaucratic inefficiencies' as well as everyday apathy at the work place is in part a result of the very inadequate public transport system – transport for moving people as well as goods, at least in relation to the domestic market. Long waits at bus stops, lack of punctuality, overcrowded buses and trucks 'converted' into public transport (the kidney-jarring 'camelos') and highly polluting fuels have led to chronic malaise. Tardiness at work resulting from inadequate public transport has contributed to low productivity and occasionally is a 'legitimate' excuse for absenteeism. The lack of a punctual public transportation undermines morale at work and school: if the public authorities are incapable of administrative discipline in something as basic as transportation, how can they speak to employees of the need for greater work discipline? The lack of managerial discipline is a bad example for all workers.

Cuba's recent purchase of a thousand buses from China has provided some alleviation but the extensive reliance of workers on hitchhiking testifies to the continued inadequacy. Likewise the 'losses', which occur during the transport of goods from producers to consumers, have generated chronic shortages of foodstuffs, building materials and petroleum.[11] Corruption, widespread theft, lack of coordination, inadequate managerial supervision are largely to blame as well as lack of mechanisms of political control by consumers and conscientious workers. In sectors where the state has set high priorities, such as tourism, nickel and pharmaceuticals, the transport system functions in a reasonably efficient manner.

The transport problem is not simply a lack of political will. Fidel Castro's announcement in November 2005 that over 50 percent of gasoline was being pilfered, siphoned and sold on the black market is indicative of the breakdown of governmental authority and administrative oversight (Castro, 2005).[12]

Cuba requires at least 10,000 new vehicles for transportation, but that is only a start. It needs trained maintenance and staff personnel as well as organized consumer and workers oversight committees to ensure that the new transport, once acquired, serves its stated purpose.

To motivate workers, sociopolitical education, moral exhortation and citation of exemplary historic leaders are necessary but obviously inadequate in the absence

11 Castro, 26 July 2007, Speech at Camaguey. Raúl here cites the example of the waste of petroleum in the transport of milk from dairies to processing plants back to consumers living next to the same dairies.

12 Fidel Castro speech, November 2005 – University of Havana (*Granma*, 19 November 2005) and follow-up report by Arreola (2006).

of decent wages and salary levels. Raúl Castro in this regard pointed out in his 26 July 2007 speech in Camagüey,

> We are also aware that because of the extreme objective difficulties that we face, wages today are clearly insufficient to satisfy all needs and have thus ceased to play a role in ensuring the socialist principle that each should contribute according to their capacity and receive according to their work or contribution. This has bred forms of social indiscipline and tolerance, which having taken root proved difficult to eradicate even after the objective causes behind them have been removed. (Castro, 2007)

Thus, one of the first policy moves made by Raúl Castro as President was to raise wages, although 'with realism'.[13]

Low wages – weak motivation – lack of work discipline – low productivity have affected services, manufacturing and agriculture in a vicious cycle. Over the past three years, wages were unfrozen after almost two decades and some relatively substantial increases were granted, supplemented by several announced further increments. Even so, relative to the substantial increases in charges for home electricity use, food (a substantial proportion of which is purchased in the 'free' market), clothing and other necessities, these pay increases are less than what would be necessary to stimulate greater productivity.

While greater effective consumer purchasing power is needed, so is the greater availability of consumer items at competitive prices. Salary and wage increases in the face of scarcity leads to more money pursuing fewer goods and informal price increases, thus eroding the nominal 'raises'. The economy needs to balance increased production and imports of consumer goods with investments in capital goods and production for export. Investments in tourist facilities need to be balanced with capital investments and exports. The gap between luxurious facilities for tourists and the poor state of workers' housing grew enormously during the 'special period' – a major new contradiction. Continuation of foreign tourism's expansion during the decade and a half of recovery probably erodes the socialist ethos as much as the inequalities resulting from a structural adjustment to globalization and the theft of public resources, a major problem and emerging contradiction.

Increased social inequalities in the distribution of income and share of the social product is a downside of the structural reforms introduced in the Special Period, the social cost of 'market friendly' economic reforms implemented with great reluctance by Fidel as a desperate measure to salvage the economy. But inequalities have also widened because of unofficial 'bonuses' to top officials engaged in joint ventures, foreign trade and the dollar (now Euro) economy. A new incomes policy in itself could contribute to greater incentives for productivity if combined with

13 'Regardless of our great wishes to solve every problem we cannot spend in excess of what we have' (Raúl Castro, 26 July Moncado Day speech).

greater direct participation of all workers in the organization and administration of the workplace as well as the opening of multiple spaces to discuss the restructuring of the economy.[14] A new income policy should be directed toward promoting strategic sectors of the economy. Stimulating growth in agriculture, manufacturing and applied information systems require changing the direction of government policy and in particular its educational and professional training programmes (Campos, 2007). While most Asian and Latin American countries lagged behind Cuba in the 1960s, they have far surpassed Cuba in diversifying their economies, developing competitive export manufacturing sectors and lessening their export dependence on a narrow group of exports. By adding value to their products, Asian countries have increased earnings, which has led to higher wages and a better 'fit' between advanced education and occupational opportunities. Cuba's economy is marked by a serious disjunction between a highly developed educational system and an economy that is not sufficiently diversified as to provide jobs appropriate to the universalization of higher education. Cuba needs to adjust its education to train graduates to manage and run industrial and agricultural activity that mass-produces goods for mass popular consumption as well as trained scientists in medical services.

Cuba produces and exports nickel and citrus but yet the downstream value-added production – the processing and manufacture of finished goods – takes place elsewhere. Cuba produced 5-6 million tons of raw sugar for export for decades. After the collapse of the Soviet Union, it had to sell sugar at world prices in an environment of volatility. In contrast, while Cuba wasted scarce foreign exchange in importing oil, Brazil advanced in the multiple use of processed sugar cane, especially as a source of energy, benefiting from the resulting boost to economic growth. Subsequently Cuba closed many sugar mills. Some former sugar fields were recycled to other products but many sugar fields remained fallow, even as the price of ethanol skyrocketed and Cuban food imports increased. While many critics are right to point to the negative effects of shifting from food production to ethanol – and Raúl Castro, in his 2008 Moncado Day speech, correctly lambasted US policy for promoting the use of agro-fuels – this does not apply to Cuba: fallow fields produce neither food nor ethanol.

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14 On this point, the following remarks in Raúl Castro's speech on Moncado Day (26 July) 2008 are apropos (and, it is hoped, acted upon): 'The process of study and consultation with all of the workers will begin next September, prior to the adoption of the Bill by the National Assembly on December. That procedure will be useful to clarify every doubt and offer the opportunity to volunteer any criteria. Everybody will be attentively listened to, whether their views coincide or not with those of the majority, the same as we have done with the views expressed during the process of reflection on the last 26 July speech. We do not aspire to unanimity that is usually fictitious, on this or any other subject … The main problems and tasks we shall continue to analyze with the people, particularly with the workers, with the same transparency and confidence we've always had. We shall seek for the best solutions mindless of those who abroad try to take advantage of such debates. Sooner or later the truth prevails.'

Both economic growth and social equality have been significantly affected by the high level of theft of public property. Fidel Castro, while still in command, pointed to one indicator: the loss of 50 percent of earnings in the distribution of petrol sold on the black market. Official corruption and public theft concentrates income in the hands of the black market operators, increasing inequality and erodes the work ethos among honest workers. Equally important, theft leads to the misallocation of resources, delays in deliveries of goods and services and leads to shortages of goods. Punishing senior officials is necessary but insufficient. What especially requires reform is a new system of public accountability based on independent accounting authorities, consumers' and workers' oversight commissions with the power to 'open the books'. Workers and professional control will not eliminate corruption altogether but it will challenge the authorities through independent periodic reviews. De facto and now actual President Raúl Castro has demanded that Ministers follow strict agendas, provide up to date written reports relevant to their field of work. Greater accountability within the leadership is necessary but not sufficient. There must be control and vigilance by authorized commissions from below and by a parallel independent general accounting office.

The institution of joint ventures in economic enterprise and some degree of class inequalities were necessary to attract capital during the years of systemic crises and collapsing trade and financial networks. Nevertheless what was seen at the time as a tactical retreat or adjustment to particular time period has become entrenched with far-reaching effects. Social inequalities have created, what Fidel Castro termed, a class of new rich embracing liberal ideology. They pursue greater space for public-private collaboration, ultimately seeking to integrate Cuba into a world market dominated by imperial capital. The public sector in Cuba is still dominant and politically powerful,[15] but as it fails to come to grips with scarcities in public necessities and to provide for individual consumption, it becomes increasingly vulnerable to liberal critics and self-styled 'market socialists'. The latter argue that the solution to scarcity is greater space for capitalist investors and commercial interests, both domestic and foreign.

Social inequalities are not solely the result of market forces, corruption and tourism, and the social structure. The concentration of political power vis-à-vis the direction of the economy and disposition of public spending is another factor. To curtail the growth of a nouveau riche or the formation of a bourgeoisie requires more than periodic popular mobilizations – such as the social workers taking over the gas stations – or a renewal of moral exhortations (which are important!). Prevention of new class formation, it could be argued, requires a new system of elected representatives to oversee the allocation of the budget to the various

15 On the predominance of state property despite the inroads of joint ventures see the pronouncements of Economy Minister Jose Luis Rodriguez in Gerardo Arreola, 'Firme en Cuba el predominio de la propriedad estatal: ministro de Economía' (*La Jornada*, 30 May 2007) for a detailed discussion.

ministries and the power to summon responsible officials to televised hearings for a strict public accounting, when necessary.

One of the most frequent and repeated points of discontent in the general population is the disproportion between foreign humanitarian aid and the scarcity of goods in the domestic market. No one calls for an end to solidarity with the global poor, but indications (and anecdotal evidence provided through our admittedly nonscientific sampling of opinion and attitudes) are such that the Cuban populace does not support the degree to which resources are currently spent, given the scarcities of consumer goods at home.

Several objections have been raised about Cuba's overseas commitments and misplaced priorities. First, much aid is donated and has no practical benefit for Cuba: the health programmes are not reciprocated by favourable diplomatic or political responses by the regimes in the recipient countries. In fact, Cuban health spending allows many reactionary pro-US regimes to continue to allocate funds for incentives to foreign investors or the purchase military weapons – as is the case in Honduras, Pakistan, Africa and elsewhere – taking popular pressure off the national governments to provide social services. No doubt Cuba gains the goodwill of the poor of these countries but it also threatens to provoke the resentment of some Cubans. Given the urgent need to accelerate domestic programmes, Cuba is not in a position to maintain costly overseas programmes, with no monetary, state or commercial benefits.[16] The same questioning has emerged with regard to subsidies for foreign students (such as those at the Latin American School of Medicine – ELAM), patients and delegates at the numerous conferences organized each year in Cuba.

Some hard thinking and even harder economic decisions have to be made to strike an effective balance between Cuba's urgent domestic needs and its overseas humanitarian missions. A positive example of balanced reciprocal relations is Cuba's socioeconomic exchanges with Venezuela: oil at a discounted price (vis-à-vis the world market), investments and trade from Caracas in exchange for large-scale medical, educational and social services from Cuba's highly trained workforce.[17]

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16 Others such as Isaac Saney (2004) disagree with this view, arguing that Cuba's 'internationalism' vis-à-vis doctors ad teachers, education and medicine, is invaluable, bringing with it all sorts of economic as well as political advantages as an ambassador of socialism.

17 In 2007 Cuba 'service' exports rose dramatically for the third consecutive year – to $8.36 billion in 2007, more than twice the level reported in 2004. This expansion of service exports was largely the product of an exchange with Venezuela for medical and educational services (tourism revenues stagnated for a second year at $2.2 billion). Cuba reported 39,000 of its citizens worked in Venezuela last year, 30,000 of them in the health sector. Cuba has also increased the export of services to Caribbean countries under Venezuela's Petrocaribe plan, which provides preferential financing for oil at 1 percent interest over 24 years if the saved revenues are used for economic and social development, often with Cuban participation. Revenues from joint pharmaceutical ventures in countries

Cuba is a developing country, with high expectations and notable accomplishments, but it is still a country in which poverty is evident in the dilapidated housing and infrastructure of Central Havana. If Cuba is to defeat the emerging foreign and domestic challenges from incipient neoliberalism, the public sector must be more responsive to popular needs. Greater transparency and responsiveness requires greater representation and supervision from consumer and productive sectors.

Culture as a Pillar of the Revolution: Critics Within and Without

A pillar of the Revolution and one of the most critical factors in explaining its surprising longevity is the extent and depth of the loyalty to the project and its leadership, a loyalty that extends into several generations removed from direct participation in the initial experience and an appreciation of pre-revolutionary conditions. It is clearly difficult for any revolutionary process to maintain a revolutionary elán from one generation to the next – to maintain the essential support for revolution against the inevitably threats, which can and do come from both within and the outside. The capacity of the revolutionary leadership to instill and maintain this loyalty is a major achievement, due in good part to the success in bringing about a 'cultural revolution' and in the ability of the regime to sustain this culture against diverse threats and direct attacks against it from the architects and advocates of neoliberalism.

The neoliberal threat comes from several sources. The most obvious 'hard threat' comes from the US empire – from the government and its pseudo-nongovernmental organizations (NGOs) mass propaganda and entertainment media as well as from informal sources like relatives and sports recruiters. This 'hardline' animosity to the Cuban Revolution, however, is powerful is well known and thus, we argue, not in the least effective, mainly because it is clearly identified and widely and deeply understood. The clearest immediate cultural threat to Cuba, we argue, is from within, as evidenced by the decline in revolutionary cultural productions – cinema, literature, theatre and music. In the 1960s and 1970s, Cuba produced magnificent documentaries on the heroic struggles of the Vietnamese people, the black uprisings in the US and the contrast between vacillating intellectuals and militant revolutionaries. However, over the past two decades Cuba has not produced a single documentary about the world-historic struggles of the Iraqi, Afghan or Somali resistance to the US-directed imperial wars; the Colombian guerrilla struggle against the death-squad 'democracy'; or the struggle of the black masses of New Orleans against capitalist eradication of their homes, schools and hospitals.

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as varied as Iran, Russia, India, Malaysia and China most likely (?) fall under the service export category, as well as Cuban projects to build and staff eye clinics in various countries in Latin America, Asia, Africa and the Middle East.

In this connection, we were told by a leading Cuban official in the cinema industry that these were 'important topics' but that they lacked funds, frequently having to work on joint ventures with Spanish and other European producers who were not interested in revolutionary struggles. However, the financial argument is not convincing.[18] Documentaries on anti-colonial wars have been made on a shoestring budget: two air-tickets, a video camera, recorder, sleeping bag and the *political will* – all for less than $5,000 (less than the price of a single tourism advertisement in a European newspaper). There is no financial need to cater to the tastes of European liberal, postmodern co-producers.

Many so-called 'critical' films and writings caricature revolutionaries or militants, or exclude them altogether. One gets the impression from watching, listening and reading current Cuban cultural productions that there are no honest revolutionaries left in Cuba.

Recently Cuban television interviewed literary officials from the 1970s – functionaries who defended rigid and dogmatic cultural positions in that period. The 'new critics' raised a hue and cry, not only justifiable criticizing the cultural politics of the former officials, but attacking the TV stations, government cultural policy and calling for dismissals, investigations and censorship (Arreola, 19 January 2007). In other words, the 'new critics' were calling for exactly the *same authoritarian methods* as their former persecutors. Moreover, the vehemence of their general campaigning took on the coloration of a witch-hunt against any literary or artistic endeavor which sought to defend, project or engage revolutionary values, situations or any positive social realities or situations of contemporary Cuba.

As part of the repertoire of the 'new cinema', as a counterpoint to the mechanistic-wooden caricature of revolutionaries, Cuban exiles are portrayed as sensitive individuals who have 'feelings' for Cuba but are comfortably situated abroad. But the new cinema fails to mention that in the US the exiles lack universal health care, and free education through graduate school. In their films, the exile protagonists lack any consciousness of the murderous Bush regime killing millions in the Middle East. None of the crimes against humanity enters into the sensitive 'personal scenarios' of the new critics. Another problem of which issue could be made is that the new literature in Cuba – in its break with social realism – contains racial and sexual stereotypes – usually featuring the sultry mulata with long legs and prominent buttocks (nalgas). Romantic adventures with European tourists or businessmen lead to tearful departures and promises of a better future abroad.

Considering the decades of close cultural and educational relations with the USSR and Eastern Europe, there is a total absence of any film portrayal or novelistic account of the *catastrophic crisis* that has affected the *post-Soviet society* and the rise of neoliberalism in Eastern Europe. Nowhere do the Cuban artists register the massive socioeconomic crises resulting from the foreign take-over of the economies of the formerly communist societies. There are no documentaries

18 Interview in Havana, 7 February 2005.

or dramatic productions of the pillaging of the pension funds, the vertical growth of criminal gangs engaged in drugs and sex slavery of poor women and girls and the unprecedented decline in population due to drugs, alcohol, suicide and once conquered infectious diseases, like TB and syphilis. In portraying Cuban exile nostalgia, there is nothing about the other side of neoliberalism; only a vision of the relative affluence in the Western middle class, itself a class with declining living standards.

Could it be that the 'new critics' with their own liberal visions refuse to portray the disastrous consequences of 'market socialism' or 'post-socialism' for fear of undermining their own version of a transition to a 'new and open Cuba'? In avoiding the horrendous consequences of the transitions to capitalism, they focus instead on the easier task of contrasting the immediate problems and contradictions of Cuba's past and present to an idealized West. Few artists and intellectuals express concern with the pitfalls and contradictions of their liberal-democratic posture.

In short, there is a need for another cultural revolution in Cuba – to overcome the under-representation of Afro-Cubans in advertising, leadership positions and official visibility; to deepen and extend the professional formation of Afro-Cubans to lessen their over-representation in boxing and other injurious sports; and to represent the revolutionary dimensions of popular and working class socialist culture, rather than the detritus of world capitalist culture.

Recovery of revolutionary cultural practices and racial affirmative action programmes strengthen and deepen the process of 21st-century socialism and open the way to critical rethinking of economic decision-making. Critical reflections and debate on past economic practices is likely to lead to greater attention to greater rationality, coherence and cost-benefit analysis. The reliance on moral appeals for sacrifice is no longer as effective as it was in the 1990s. The introduction of new large-scale public projects with 'delayed results' or promises of future deliverance to the populace is not generating popular enthusiasm as Raúl Castro explicitly noted in his 26 July 2007 speech. Cuban government investment planning has been dominated by bursts of enthusiasm for a *big advanced idea*, which may contain certain progressive features, but which, carried out in isolation from other priorities, does not meet criteria of cost-benefit analysis. Two areas stand out: Computerization and biotechnology. Both receive multimillion-dollar investments and have produced some innovative results. But this has been at great cost vis-à-vis other sectors.

Cuba's investment of the equivalent of several hundred million dollars in building an elaborate university specializing in computer science is a case in point. The university project could have been incorporated and integrated with existing university centres and, more important, integrated with key institutions to construct databases and programmes capable of processing information improving the performance of factories, gasoline stations, hospital and patient records.

Biotechnology is the area most cited by Cubans as their future growth sector. Over $1 billion has created first-rate facilities, trained and recruited first-rate scientists and produced some important vaccines and advances in medical care.

Yet it must be recognized that in Cuba, as in the rest of the world, the economic returns on biotech investments, both in terms of medical breakthrough and in monetary terms, has been at best uneven. Biotech innovations have made modest improvements in public health, in Cuba, in Europe and in the US. For every successful discovery, several dozen costly programmes have failed. Given Cuba's need to meet elementary needs of inexpensive and readily available, nutritious food, public transport, family housing and other urgent needs, the question of priorities has to be raised and debated widely and openly in Cuban society. Given the high levels of chronic consumer scarcities, the deterioration of infrastructure, the low salaries, can Cuba continue to invest billions into highly risky sectors?

Is international scientific recognition and humanitarian aid worth the price of disenchantment and declining revolutionary fervour in the face of more than twenty years and continuing domestic scarcity of all sorts of essentials and consumer goods?

Cuban foreign policy has had a great many major diplomatic successes. It has gained 98 percent support in the UN General Assembly and near unanimous vote in the Organization of American States against the US economic blockade. Cuba has trading relations with almost the entire world and even non-reciprocal trade with the US, despite Presidents Clinton and Bush's enforcement of the Helms-Burton trade and travel embargo. Cuba and Venezuela have successfully promoted a strategic trade, investment and military alliances despite severe pressure from the White House. Cuba's foreign policy has opened up and expanded diplomatic and economic relations with Washington's most servile client regimes, despite pressure from Washington. Cuba's 'people to people diplomacy' has created good will with the poor throughout the world. Cuba's intransigent opposition to free markets and military invasions in Asia and the Middle East (particularly colonial invasions of Iraq, Afghan and Lebanon) has gained Cuba the support of people around the world, and the sympathy of many Third World governments.

But the very success of Cuba in breaking the imperial diplomatic and economic blockade has created a new set of contradictions: the legitimate state interest in maximizing Cuban trade and diplomatic support has, at times, led the government to support and endorse some reactionary, neoliberal regimes like Lula [da Silva] in Brazil and to make friendly gestures to Uribe in Colombia (Arreola, 2 April 2007). The problem is the lack of separation between the Cuban state and the Cuban Communist Party. What is appropriate diplomatically for the Cuban state is politically reactionary from the viewpoint of the popular mass movements in the countries combating neoliberal regimes. Cuba could solve this problem if the state and party did not overlap the way they do or were distinct organizations (see the discussion on 'public action' below). The Party could speak from a revolutionary perspective in solidarity with the people's struggles and the state could work with the existing regimes.

Human Development Matters

In 1990, when the socialist world was collapsing and the capitalist world order in disarray, and Cuba was entering a system-threatening 'special period', the United Nations Development Programme (UNDP) launched its flagship annual publication, the *Human Development Report*, designed to measure and rank countries according to their success in achieving 'human development'.[19] Cuba in this report was ranked 62nd out of 130 countries on its 'human development index (HDI). In 1992, just a year on, Cuba ranked 81st (61st in the category of 'developing countries'), a clear reflection of the drastic reduction in the GDP and thus per capita income, given a 50 percent weighting in the HDI. In 1993, reflecting both realities in Cuba and possibly methodological irregularities, Cuba ranked 75th on the HDI vis-à-vis other 'developing countries' (and 100th overall), while a year later, Cuba's ranking slipped to 89th and 108th (out of an enlarged group of 173 countries). In terms of the UNDP's 'capability poverty' measure Cuba ranked 10th out of all developing countries, not nearly as high as one might expect but then the country was at the nadir of the worst crisis in its history, having lost 35 percent of its production capacity.

From 1994 to 2000 when Cuba introduced a series of major reform measures designed to restructure the economy out of the crisis, a slow but persistent trend towards an improvement in socioeconomic conditions could be detected, a trend that was reflected or could be traced in an improved HDI ranking – 58th in 1999 and 56th in 2000. This ranking still placed Cuba in the 'medium human development' category of countries, and it represented an improvement more in diverse social conditions than in average per capita income, the growth of which was still sluggish, as can be seen in the difference of 47 points in Cuba's ranking on the per capita income index.

For some reason Cuba was not ranked in 2001 but in 2002 it ranked 55th on the HDI with a score of .795 (a hair breath below the arbitrary .80 medium to high threshold), and a difference of 35 in its ranking on the GDP per capita index. In the UNDP's supplementary Human Poverty Index (HIPI), which for some reason was not factored or integrated into the HDI (despite the need, stated as early as 1991, to 'make the HDI sensitive to income distribution') Cuba was ranked 4th out of all 'developing countries' (behind Uruguay, Costa Rica, Chile). In 2003, when Cuba's economic reforms began to bar fruit in the form of economic growth

19 'The basic purpose of development is to enlarge people's choices. In principle, these choices can be infinite and can change over time. People often value achievements that do not show up at all, or not immediately, in income or growth figures: greater access to knowledge, better nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedoms and sense of participation in community activities. The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives' – Mahbub ul Haq, Founder UNDP Human Development Report.

Cuba's HDI ranking improved three points to 52nd (.806), pushing it past the high-income threshold, even though its per capita income ranking slipped three points (to 38th). Only three Latin American countries – Argentina, Costa Rica, and Chile – were ranked higher, and this because of the per capita income factor, given a 50 percent weighting in the index. As for the Human Poverty Index (HIPI), Cuba's ranking fell one point – now 5th in the 'developing country' category. In 2004, at the threshold of a sustained economic upturn, Cuba retained its rank status on both the HDI and HIPI, as it did in 2005. But in 2006 Cuba broke another threshold (a 50th ranking on the HDI), which provoked the President of the World Bank to grudgingly concede that 'Cuba was … doing some thing right …' (Lobe, 2001).[20] Cuba had succeeded, and was succeeding, in achieving a relatively (and surprisingly) high level of human development on a low-income base and in the context of the worst crisis in its history and a number of system-threatening challenges from outside the country.

This 'accomplishment' begs a number of critical questions that require a close look. How did Cuba manage to navigate the ship of state through the turbulent waters of neoliberal globalization and US imperialism? What specific measures and structural reforms were taken to bring about this development while keeping the economy on a socialist track? That is, what crisis countermeasures did the government take in responding to the challenges confronting the country? More to the point, what do the noted improvements in Cuba's ranking on the UNDP's measure of human development mean for the average Cuban? Did the government's response to the pressures of neoliberal globalization and the challenges of the special period impact most Cubans in the same way or were there discernable or measurable differences in the distribution of associated costs and benefits? Elsewhere in Latin America adjustments to the requirements of the new world order increased social inequalities in the distribution of wealth and income, at an exceedingly high social cost borne by most working people. Was this the case in Cuba? What is the connection between the dynamics of income growth/distribution and other dimensions of human development?

The Inequality Predicament of Income Distribution

The UNDP's HDI is a composite of three variables used to measure progress in capability development and expanding the capacity for choice – per capita income, life expectancy and schooling/literacy. The income factor is weighted 50 percent in the index on the assumption that in most societies the capacity to meet basic needs and improve the physical quality of life is a matter of earned income. Of course,

20 During a 2001 visit to participate in the conference on globalization organized annually by the association of Cuban economists, World Bank President James Wolfensohn remarked that 'Cuba has done a great job on education and health … they have done a good job, and it doesn't embarrass me to admit it'.

in Cuba income does not carry the same weight as it does in Brazil and Mexico, or capitalist societies more generally, because the state assumes a much larger role in meeting the basic needs of the population. However, in determining the level of human development the statistical average or income per capita is not the critical issue. This is particularly the case in countries such as Brazil, Mexico or Peru, where the disparity in income distribution, or the deviation from the average, is so large: for example, the top quintile of households receive anywhere from 15 to 25 times the income received by the poorest quintile, compared to a ratio of 4.5 in Cuba in 1990 after 30 years of socialist revolution and on the verge of crisis.

In situations of high disparity or unequal distribution of wealth and income the statistical average is meaningless. More relevant is the degree of equality or inequality in the social distribution of income – a condition that the HDI does not in fact measure. On this score, Cuba measures up and compares very well, even with more highly developed countries in the capitalist system. Indeed, if the income factor were accounted for in terms of its social distribution rather than as a statistical average, its HDI score would be even higher than it is. Even so, it is evident that the capacity of Cuba's socialist economy to sustain a high level of human development, even by the UNDP's limited and deficient measure, was severely constrained by conditions of a 'special period' in peacetime and by the government's policy response to these conditions.

In the years immediately following the 1959 'socialist revolution' the government took action and implemented policies that significantly reduced the degree of social inequality in the distribution of income. In 1953 half the population received but 10.8 percent of the national income while the richest 5 percent appropriated 26.5 percent. Calculated differently, the ration of the richest and poorest quintiles of income earners was 57.9 to 2.1 to 0.6 or 28 to 1, on par with or even higher than the worst case of income disparity in capitalist Latin America today (Brundenuis, 1984: 147).

By 1970, after a decade of socialist reform, the index was significantly lower, indicating a relatively flat income distribution, or considerable social equality. A major reason for this achievement was the implementation of a far-reaching land reform and the implementation of a payscale for different categories of work – the main source of 'earned income' for the vast majority of the population. Under the shifting development strategy pursued in the 1960s and 1970s the rate of economic growth was erratic but generally positive, with a burst of rapid growth in the first half of the 1970s at a time of crisis for the world capitalist system.[21] But under a socialist regime and the floor and ceiling established by the government for all

21 According to calculations by Brundenuis (1984) the rate of economic growth in Cuba was only 0.8 percent in the first two years when the economy was overhauled and then the economy actually shrunk (at an accumulated average rate of -0.2) from 1961 to 1965 before initiating a process of sputtering growth (1.6 percent from 1966 to 1970) and export-led rapid growth (8.2 percent a year from 1971 to 1975). In 1976 the economy began to slow down to an average rate of 2.9 percent a year (Brundenuis, 1983: 54).

categories of paid work,[22] this economic growth was distributed in a relatively equitable way, or at least within a much more narrow range than was the norm in the rest of Latin America – with the universal extension of socially inclusive social programmes, improved access to expanding public sector employment and a persistent increase in the value of labour remuneration.[23]

In the 1990s, under the impact of external conditions and government policy reform, the social distribution of income became increasingly more unequal – to the point of income poverty at the lower extreme of this distribution. As the direct outcome of adjustment policies (structural reforms) in the 1990s, income inequalities in the 1990s increased to the point of resurrecting the spectre of poverty at one extreme of the income distribution.[24] Several studies (Espina, 2004; Prieto, 2004) established a clear trend in this direction, under conditions of economic crisis and liberalizing government policy reforms – and despite a continuing commitment to established social security and human development programmes.[25]

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22 According to the 1988 Instituto de Trabajo data, 93 percent of workers fit into a range of only 2.3 to 1 in the pay scales established for different categories of work. The 1983 General Wages/Salary Reform (Reforma General de Salarios) set parameters of pay-qualification scale in a range of 13 groups, allowing a differentiation between maximum and minimum pay within arrange of 4.5 to 1. Given that work is the predominant if not only source of in come for the vast majority of the population, and the broad application of the Wage Reforms, the national income distribution parallels and closely tracks the pay scale range of 4.5 to 1.

23 It is evident that the major structural sources of increased equity in the social distribution of income were publicly funded social programmes (health, education, housing, social security and food rationing) and the expansion of public sector employment … from 8.8 percent in 1953 to 94 and in 1988 (Prieto, 2004: 218). Brundenuis (1983: 72) calculates that the index of the normal or average wage evolved from 108 in 1970 to 187 in 1987.

24 Cuban economists and sociologists have calculated hat in 1985 around 6.3 percent of the urban population was 'at risk' or vulnerable in terms of poverty (unable to meet their basic needs) but that the poverty rate had increased to 14.7 percent in 1995 up to 22 percent by 2000 (Ferriol, 2002). This poverty rate reflected the very low level of consumption or purchasing capacity and the decreased value of the rationed consumption goods. However, maintenance of all social programmes and universal coverage, albeit with reduced capacity, meant that the poverty was relative, not absolute i.e. there was no question of the indigence that effects anywhere from 15 to 25 percent of the population in other Latin American countries.

25 Nerey and Brismart (1999) identified a quantitative and qualitative weakening of social services provision towards the end of the 1990s. However, for lack of distributional data on this weakening it is not possible to determine whether it is at all connected to the predicament of rising inequality or a non-income dimension of poverty at the lower end of the income distribution. In any case, according to the UNDP (2003) not only maintained but actually increased social spending – from 19.9 percent of fiscal resources in 1999 to 26.8 percent in 2002.

The major source of increased social inequalities in the distribution of income was the creation of a dual economy, one economy based on the peso, the other on the US dollar.[26] This development created a major distortion in the economy and an entirely new social divide in which professionals such as doctors and teachers would earn considerably less than service workers in the tourist sector, and in which many Cubans were forced to reduce material consumption to a bare minimum.

Under these conditions, it is estimated that the Gini Index of income inequality rose from .24 in 1986 to .38 in 2000 (Espina, 2004), although it should be kept in mind that this international standard for measuring inequality does not have the same import in Cuba, given that it is based entirely on the statistical distribution of income and that healthcare and education in Cuba are free and universal. As a result of the government's universal, integrative social policies, many of the population's basic needs are met, and extreme poverty is eluded, even with the access to relatively little earned income.

Since 2003 Cuba has experienced a dramatic upturn of the economy, a change reflected in a persistent trend towards economic recovery and expanded growth. The question is: to what degree is this recovery and economic upturn the result of public policy or changed conditions in the world economy? As to this issue it is evident that the strong and rapidly growing demand in China (and Asia more generally) for minerals, energy and other natural resources has created conditions for a primary commodities export boom, which, it would appear, to some extent (in regards to nickel in particular) has benefited the Cuban economy. However, except for the export of nickel Cuba is not as well positioned as some countries to participate in this boom and to benefit from the global turnaround in the terms of trade, so we can assume that, to some extent the economic recovery can be attributed to public policy. In any case, the significant aspect of this recovery is that the government did in fact introduce measures (in 2005 and again in May 2005 with the shift from Fidel to Raúl Castro in the presidency) to ensure a more equitable social distribution of the fruits of economic growth, and a strengthening of social security.

From Fidel to Raúl: The Meaning of the New Reforms

> The revolution has done and will continue to do anything within its power to continue to advance and to reduce to the minimum the unavoidable consequences

26 The source of inequality is that while US currency can legally be held by anyone, access to it remains unequal. In 1995, 15 percent of the population had access to US dollars. In 1997, this figure rose to 40 percent and in 2000, 62 percent had access to US currency (Leo Grande and Thomas, 2002: 37). These figures can be misleading. While it is true that over 60 percent have access to US currency, some families enjoy steady access to US currency as well as in higher amounts relative to other families.

> of the present international crisis for our people. Yet, we should timely explain to our people the difficulties so that we can be better prepared to face them. We must get used to receiving not only good news.
>
> We are aware of the great amount of problems waiting to be solved, most of which weigh heavily and directly on the population. Nevertheless, it should be recognized that lately the limited resources the nation has been able to additionally deliver to the eastern region have been quickly put to good use. (President Raúl Castro, Moncada Day Speech, 2008)

The Crisis of Food Production

As emphasized by the Cuban journalist Manuel E. Yepe (2008) 'since coming to power the Cuban revolution has been characterized by its pragmatism within the context of very firm ethical principles'. This ability to 'correct errors and negative tendencies, without losing sight of the fundamental path', he notes, 'has been a big factor in the survival of the Cuban vision of social revolution, which for a half century has faced very complex tests in the midst of great dangers'.

Yepe is almost certainly correct in this view of the Cuban revolution – its resilience and survival based on a continuous process of reform and adjustment to changing conditions and internal debate. Raúl Castro, in assuming office in 2007 initiated another round of internal debates on the direction of the Revolution that resulted in another series of reform measures ('Raúl's reforms'!), the meaning of which has engaged the attention of Cuba watchers within and outside the country. Some of the reforms were announced publicly, eliciting the most diverse interpretations;[27] others, as evidenced by Yepe in his review of recent and ongoing reforms to Cuba's food production process, are acted on without fanfare or comment by outside observers like ourselves, who come in all kinds of ideological shapes.

Wage and Income Reforms

Under *Labour and Social Security Resolution 9*, signed in February although not published in the official Gazette, the limits that had been placed on a state employee's earnings were lifted. For the first time in decades, there would be no limits on employee's earnings, state-television reported on 10 April 2008: 'For the first time it is clearly and precisely stated that a salary (or wage) does not have a limit, that the roof of a salary [will] depend on productivity', economic

27 On this diversity of interpretations, the normal accompaniment to any announced reform measure, and the rather jaundiced and ideological responses of the foreign press and many outside Cuba watchers, see Walter Lippmann, Editor-in-Chief, *CubaNews*, 27 July 2008.

commentator Ariel Terrero noted, with reference to a new policy measures designed to improve the country's economic performance, revamping the state wage system to create more incentive by allowing workers to earn as much as they can.

Currently the Cuban state controls about 90 percent of economic activity and employs the vast majority of the labourforce, often setting wages from offices in Havana. Cuba has always prided itself on its relatively flat pay scale system, ensuring a relatively equal distribution of the social product and national income – in a range of 4 to 1 from top to bottom, versus a range of 12-18 to 1 that prevails in Latin America generally.

However, Cuba's egalitarian approach has come under fire in recent years for holding back production. 'One reason for low productivity is there is little wage incentive and this breaks productivity and stops bigger salaries', Terrero said. The LSC Resolution 9 is aimed at breaking the cycle while yet respecting the socialist principle, 'to each according to his work, from each according to his ability'. Raúl Castro, in this connection, upon taking over from an ailing Fidel in February, promised to make wages better reflect one's work, a major complaint of the population. 'It is our strategic objective today to advance in an articulate, sound and well-thought-out manner until the wages recover their role and everyone's living standard corresponds directly with their legally earned incomes'.

Raúl also launched a major reform of the agricultural sector to create conditions for state and private farmers to legally earn as much as they can from their efforts after meeting state quotas. It is an old problem. 'There is no reason to fear someone earning lots of money if it really is due to their work', Adalberto Torres, a Havana retiree, was reported to have said. 'It is the same with farmers. Give them land, let them work, it is not important how much they make. It is good because it means they are producing'.

In addition, the ban on the sale of computers, DVD players, other consumer goods, mobile phones, and on Cubans staying at tourist hotels, was also lifted. However, the problem here was that the vast majority of Cubans lacked the purchasing power to consume these goods or take advantage of the new opportunities for increased material consumption. One strategy of the Cuban government since the 1990s was to obtain foreign currency through their citizens who receive monetary gifts from relatives abroad Behind this problem is the dual currency system instituted in the context of the Special Period as an adjustment to the economic conditions. When the fall of the Soviet Union plunged Cuba into its worst crisis in the early 1990s then President Fidel Castro bitterly announced that the US dollar would become legal tender alongside the Cuban peso. He said at the time that the government had no choice if Cuban socialism were to survive, notwithstanding the inequality and social problems the measures would create.

As a result of the dual currency system, the goods and services made available under the new policy could only be purchased by Cubans who have the hard currency to pay for them in convertible pesos, or CUCs, worth 20 times more than the Cuban pesos that most wages and salaries are paid in. By putting them on legal sale, it will make life easier for those Cubans with access to CUCs, which

are pegged at $1.08. But it also highlights the inequalities in a country where the average wage is equivalent to about $17 a month in pesos.[28] While professionals such as doctors and teachers have very low state salaries, Cubans who receive remittances from family overseas, tips from tourists, run small businesses, go on government missions abroad, receive CUC bonuses, or sell goods on the black market have access to dollars with considerably higher purchasing power.

Currency Reforms – 29 May 2008

The dual currency policy was undoubtedly functional and perhaps necessary at the time, but it had an exceedingly high social cost in generating a degree and forms of social inequality – even a class divide – that contradicted and placed a serious strain on one of most fundamental principles of socialism and the Revolution. Thus it was inevitable that the system would have to be dismantled sooner or later – when conditions allowed.

Osvaldo Martinez, President of the Commission for Economic Affairs of the National Assembly on a state visit to Madrid, acknowledged the problem and the plan to abolish the dual currency system. 'The government's policy is elimination of the dual currency, which in some way hurt the national self-esteem, but we need a minimum of monetary reserves for a normal exchange rate'. The government did not propose to eliminate the peso, the national currency, because it lacked the foreign reserves to back and circulate only CUCs. As for the US dollar, which circulated in Cuba from the mid 1990s on, it was removed from circulation late in 2004 because of the growing class divide and social discontent that it spawned. Today whenever a dollar is converted into CUCs, the government charges a 10 percent tax, which provides a minimal addition to the government's fiscal resources.

Pension Reforms – 27 April 2008

Barely two weeks after the announced labour code reform,[29] the government under the new Rául Castro regime announced a policy reforming the pension system. In this regard, 'One of the Revolution's invariable principles is to raise workers' wages and pensions, starting from those with the lowest, in the just aspiration

28 Cuba's Gini index of income inequality rose from .24 in 1986 to .38 in 2000, according to Myra Espina (2004) in a paper published in Cuba. Perfect equality would earn a 0 on the index and complete inequality a .99. The index is an international standard widely used to measure inequality, though it does not take into account health care and education, which are universal and free in Cuba. Most local experts say Cuba's Gini index has risen further since 2000, although no new figures are available. And the index is still less than other countries in Latin America, which tend to come in between .50 and .60 on the index.

29 For details see 'Información a la población: Decide el Gobierno Revolucionario el incremento de las pensiones de la Seguridad y la Asistencia Social,' *Juventud Rebelde*.

of reducing social inequalities and reaching the point of all Cubans being able to live off their work or pensions'. Needless to say, the pension system, like the ration card, no longer fully supports this principle, the value of pensions having been significantly reduced over a decade and more of economic adjustments to the 'new economic reality'. The announced reform was designed to compensate for this loss in value on the basis of the fiscal resources made available by five years of recovered export-led growth.

'The revolutionary government', it was announced, 'has decided to increase social security and assistance pensions, in a fair acknowledgement to millions of men and women who have devoted a large part of their lives to creative work over nearly 50 years of building a new society and who are still firmly defending our socialism.'

The government similarly decided to increase the salaries of workers in the island's courts and public prosecutors offices – some two million (2,163,496 to be precise).[30] In 2005, economic realities (three years of economic growth) allowed income increases for more than five million workers, retirees and people dependent on social security and assistance, almost 50 percent of the population. At the time Cubans were informed that 'as economic realities, the fruit of hard work, savings, productivity and efficiency permitted, wages and pensions would continue to increase'.

Wage and salary raises were designed and applied by sector and priority, always with 'a rigorous assessment of economic and financial conditions as a premise for their implementation'. Thus, the government noted in its announcement that for that reason 'it is not currently possible to apply across-the-board wage increases, as the country does not as yet have the necessary resources'.

The improvement in pension benefits came into effect on 1 May and cover all social security retirees receiving pensions of up to 400 pesos, more than 99 percent of the total. The minimum social security pension was also increased from 164 to 200 pesos, retirees receiving pensions from 202 to 360 pesos received a 40-peso increase, and those on pensions of 361-399 pesos received 400 pesos. Families covered by social assistance received an increase of 25 pesos each, bringing the minimum up from 122 to 147 pesos, a 20 percent increase. These increases, by the government account, benefited 2,154,426 people, almost the same number of beneficiaries of the salary raise for workers in the People's Supreme Court and the Public Prosecutors Office.

International agencies acknowledge that more than half of the world's population still has no guarantee of social security. But in Cuba social security is assumed by the state as a matter of human right, and on this basis the government

30 The rationale for including this sector of public workers in the new legislation was 'their dedication to fulfilling their duties and obligations, their ethics and professionalism in imparting justice, the role that they are playing in the battle against crime, social indiscipline and anti-social behaviour, and in preserving public order, security and tranquillity on the basis of socialist legislation.'

channels a significant part of its fiscal resources to provide a measure of social security to the entire population, protecting people unable to work on account of age, disability, sickness or maternity. In the case of the death of a worker, similar protection is guaranteed to his/her family and, via social assistance, to senior citizens without resources or homes, as well as all people unable to work and who do not have relatives in a position to help them.

Together with its health and education programmes, the social security provided by the state to the entire population is a major achievement of the Revolution, and undoubtedly a major policy reason for Cuba's high rate of human development – including life expectancy and infant mortality rates at levels common to the most economically advanced and wealthiest countries in the world – a theoretical anomaly as well as a major policy and political achievement.

The new 'economic realities' of the 'Special Period in Peacetime' (basically the entire decade of the 1990s) put this and other achievements of the Revolution at serious risk. Probably the most outstanding achievement of the Cuban Revolution was its ability to withstand the forces of change and survive a production crisis of such historic proportions, with its basic structure of economic and social policies intact; notwithstanding the enormous pressure of extremely scarce financial and economic resources not one school or hospital was closed; resources were stretched to and beyond their limits, and the requirements and pressures of economic adjustment led the government to institute system-threatening reforms that might have, but did not, undo the entire system.

This provides a background for the recent post-Fidel reforms instituted by the government under the Presidency of Raúl Castro. As for the context that gave rise to these reforms and in which they were instituted, it is in the new conditions of global trade – a primary commodities boom. Although Cuba's exports in the new millennium are increasingly taking the form of tourism, health and educational services, and value-added manufactured goods, it is evident that the country has not managed to construct a highly (or even sufficiently) diversified economy. However, in the current context Cuba has also participated in the primary commodities boom, particularly in regard to nickel, which accounted for 35.4 percent of exports in 2000 and as much as 45.9 percent in 2005. The economic recovery from the crisis of the 1990s, and the high rates of growth recorded in recent years, as in South America, are driven less by increased productivity growth based on productive investment than by the growing demand in Asia for primary commodities. Today 75 percent of Cuba's exports are still in the form of primary commodities – both a boon (in the current context) and a major structural problem (in the near to distant future).

Back to the Food Production Crisis – 26 July 2008

Even though there have not been and major public announcements on it, nor comments by the legion of Cuban watchers and the capitalist media, no reform is as important – or very few of them are – as the current efforts to reform Cuba's

food production system under the terms of Decree Law 259, touching as these reforms do on 'a matter of national security for the revolutionary process' (Yepe, 2008).[31]

This reform process in terms of its 'far-reaching economic and social scope' and implications, are compared by Yepe to the agrarian reforms of the early years of the revolutionary process. As we argued above, it was a monumental mistake for the revolutionary regime to have sacrificed food security to gain a comparative advantage on the capitalist world market – a problem that has come home to roost in the current global context of dramatically rising food prices.[32] In this context, food imports cost the country $1.6 billion in 2007, a figure expected to rise another 20 percent in 2008, placing a serious constraint on national development as well a local consumption crisis in terms of domestic food costs vis-à-vis the average income of Cubans.

One of the most significant changes wrought by Decree Law 259 was to turn over idle land for use by state entities, cooperatives, and any Cuban citizen physically fit for agricultural labour. The aim of the decree was to reverse the decline in the acreage of cultivated land, which had fallen some 33 percent from 1998 to 2007. After the decree went into effect, farmers were brought together through their local organizations to describe their needs in terms of machinery, spare parts, irrigation equipment, ploughs, windmills, and other inputs needed to make the best possible use of the land.

A short time earlier there had been a reorganization of the agricultural sector, aimed at moving decision-making as close to the fields as possible by eliminating intermediary layers. In the context of what might be described as 'administrative decentralization' and local development, the municipal delegations of the Ministry of Agriculture took over many of the functions that had been centralized, including

31 The agro-sector – vegetable, dairy and cattle farming – means foodstuffs, a business on which Cuba spent $1.7 billion in 2007. Increasing production and productivity in this sector is a vital problem, particularly in the current context of rising food prices on the world market and the strategic importance of food production. This importance relates to the multiplying effect' of food production. It generates raw materials, raw foods, exportable goods and is a significant source of employment that provides jobs or about 24 percent of the nation's workforce. Given the dependence of Cuba on food imports (from a third to a half of what it needs) reforms in this sector have a dual dimension: to satisfy the needs of the population at acceptable prices and to achieve alimentary sovereignty, reducing dependence on the international market to a minimum, now that prices will undoubtedly continue to rise.

32 Over 15 years ago, Raúl Castro, then Minister of the Revolutionary Armed Forces, had warned that in regard to national security and the continuation of the revolution, the availability of food for the population is as important as the weapons that the country requires for its defense – and sometimes even more important. From his new post as chief of state he has stressed the importance of securing the country's food supply as a high-priority national security issue, at a time when the world situation makes the food question more pressing, serious, and urgent.

servicing the private farmers and those organized in cooperatives. In addition, state food purchasing companies, which buy between 70 and 80 percent of the crops harvested by private farmers, increased the prices for the food products paid for (the remainder of their produce is sold directly to the public on the open market). The state farms and farmers' cooperatives would presumably experience a similar price increase, allowing them to productively invest some of the proceeds as well as improve the livelihoods of farm households. Indeed, anecdotal evidence (derived from several visits in 2007) confirms a dramatic improvement in some sectors, with farmers and farm workers remunerated for their labour at levels well above prevailing pay scales in the urban centres, and with excellent working conditions that radically contrast to conditions that prevail in other Latin American countries.

More than a few have objected to the prominence that the measure cedes to private property in the context of a socialist project that theoretically is wedded to social property and that therefore would assign a minor role to individual property and market production. However, factors relating to the survival of the revolutionary process have led to a convincing case made in favour of the measure, which, as Yepe notes, in a review of the ongoing reform process, 'borrows elements of the market economy to use to serve a pressing socialist objective'.

The ultimate aim of the reform process in the food production system is to increase food security as well as contributing to national development and an improved livelihood for the farm population in Cuba. The as-yet open and unsettled question is whether the reform process activated by *Decree Law 259* will bring about this development, and what effect it will have on Cuba's socialist path to national development. At issue here is what capitalist institutions (if any) can be, or need to be for the sake of national development, incorporated into a fundamentally socialist system. The issue: socialism or capitalism – or what possible combination?

Contradictions and Problems, Options and Solutions

Cuba's success in overcoming the collapse of its main trading partners in Eastern Europe and the ex-USSR, and restructuring its economy is one of the most dramatic developments in contemporary history. Likewise, Cuba's national security system's ability to defeat every effort by the world's biggest superpower to destroy the revolution is also unprecedented.

Cuba's success in securing economic recovery while sustaining important social programmes marks out Cuba from the rest of the world where economic restructuring was accompanied by vast reductions in social services. The changes engineered by the revolutionary government, however, have created important contradictions, which as yet are not system-threatening but could become so if neglected. There are processes, practices, policies and structures that are gradually eroding the basis of mass support and should be addressed with some urgency while they are still solvable.

Positive reforms in this regard could include:

- Balanced economic planning, worker-consumer oversight of administration and participation in joint decision making;
- Publication for public scrutiny of accounts, income, expenditures of all ministry officials;
- Publication of expense accounts, transport, housing, private gifts and assets, overseas purchases, of all top officials;
- More open and public debates, and referendums on major national policy issues such as investment priorities, overseas aid versus domestic programs in health, housing, food and transport. This would bring popular participation and people's power to bear on macroeconomic policy as well as local development issues.

Cuba's decision-makers should break with the residues of monocultural mentality. It is not enough to break with sugar exports and to rely on a tourist economy and primary products (nickel, citrus, tobacco and so on) or even an expanding sector of non-tourist 'services', which nevertheless is a good strategy to pursue.[33] It may be politically smart to develop limited ties with US agro-exporters but it makes no sense to become food dependent and to surrender food security, especially in non-reciprocal trade with a US Treasury Department, which demands cash on the barrel (no credits!).[34] While ALBA is a functional alternative to US-dominated ALCA, Cuba must play its part by promoting food imports (currently near zero) from Bolivia, Ecuador or Nicaragua rather than the US, in exchange for charging for pharmaceutical exports and health and educational services.

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33 We are essentially arguing for a broader and more diversified industrialization strategy, although some Cubans if not the government is admittedly making a move in this direction. For example, the local branch of the Cuban Metal and Heavy Machinery Industry in Ciego de Avila has reverted to an import substitution industrialization strategy in the manufacture of container brackets based on the use of steel wastes for the production of roof beams for houses and wooden containers used to transport foodstuffs to all Cuban territories. These production activities not only allowed this local metal structures plant to reduce input costs from 50 cents to 33 cents on the dollar but meet a growing need re housing construction as well as contributing to a saving of over 16,000 convertible pesos in 2007.

34 Cuba's head of food imports, Pedro Alvarez, projected the purchase of between $1.5 and $1.6 billion in food imports from the US, the great majority of which could be produced in Cuba. Food imports form the US accounted for more than half of Cuba's net trade deficit for 2006. Between 2001-2006 Cuba has spent $2.26 billion dollars in food purchases from the US. On Cuba's food imports from the US, see Ernst and Young (2006, Parts II and III); 'Cuba preve comprar este año en el exterior entre mil 600 y mil 700 MDD in alimentos,' *La Jornada*, 31 July 2007. On the exorbitant prices in Cuba's farmers' market relative to wages and salaries, see *BBC News*, 31 July 2007.

Two of the biggest mistakes made by Cuban policy-makers in past years (and of course hindsight is useful here) are the closing down of small business operations for the domestic market and the failure to prioritize domestic food production and food security. In regard to the first, the decision in 1968 to close down virtually overnight up to 50,000 small business was a colossal error, which has not been sufficiently rectified by recent reforms designed to restore a limited private sector and local markets. Small enterprises such as cafes, bars and restaurants, and in the retail sales and service sector, provide a variety and quality of services that the state cannot and add considerably to the quality and sociality of life. Such small businesses – and possibly even medium-sized enterprises in the manufacturing sector – are in the private sector and are market-oriented but should not be confused for capitalist enterprise.

As for the food production system, the government has embarked on a series of reforms that are hopefully designed to redress the situation. However, these reforms should include the domestic tourist sector: require of operators in the sector to source not only local labour but local resources and in particular foodstuffs and beverages. This will require a major investment of public and private resources and a major productive effort to supply the demand. The result would be improved food security and improved sustainable livelihoods and possibly also an increased attractiveness of farming to Cuban youth. Also there is no reason to restrict food production to the local market. Cuba could become a major exporter rather than importer of food, allowing it to also increase its share of benefits from the primary commodity export boom, which, by some accounts, is most likely to continue into the long-term regarding food production.

Cuba could also consider reopening its too-hastily-closed sugar fields, especially those (flat lands) amenable to mechanized harvests. With the sustainable high prices for sugar due to the turn to biofuels (ethanol), Cuba could earn foreign exchange, produce ethanol and reduce its dependence on imported petrol, which even at subsidized prices from Venezuela still runs to over $30 dollars a barrel.[35]

Cuba's new specialized computer science complex should be more fully integrated into the economy and social service sector: applied programmes, work-study programmes in hospitals and factories to create information networks linking hospitals, clinics and workplaces. Transport systems need to be computerized to control punctuality, reduce deviant routing leading to illegal delivery of materials pilfered from state stores to black marketers. Computerization, involving daily or even hourly data on revenue from petrol and other distribution points, will increase revenues and reduce corruption. Computerization and consumer-worker-accountant oversight councils will partially define 21st-century socialism. Industrial diversification, especially in lines directly related to products for the popular economy require greater emphasis on professional formation, computer

35 Venezuela, the world's fifth-largest oil exporter, sends nearly 100,000 barrels of subsidized oil a day to Cuba in exchange for thousands of Cuban doctors who travel to Venezuela to run clinics in the barrios and treat poor patients. 1,200 workers.

design and consumer surveys. Computerization needs to be more clearly linked to satisfying urgent popular needs.

Cuba needs to invest productively in industrializing its nickel products, adding skilled manufacturing jobs and value-added goods to its exports to China and elsewhere. Above all, Cuba must regain its food security – and not just on the basis of the current reform process in the food production system.[36] There is absolutely no good reason why Cuba cannot become self-sufficient in poultry, meats, rice, beans and other essential food stuffs if it restructures its economic development priorities and puts greater emphasis in developing and deepening its domestic market and shifting its investments from the over-developed tertiary sectors to its primary and secondary sectors.

Cuba has over-emphasized its overseas medical aid programmes providing new clinics, while its local hospitals are deteriorating. Waiting rooms and hallways of neighbourhood clinics need to be clean and neatly painted. Some clinics are understaffed. Maintenance staff is under-utilized. Hospitals lack basic training equipment and chemical agents in diagnostic centres. While outside observers rightly compare Cuba's vast superiority to the poor US public health system, Cubans have begun to complain of delays and waits in treatment due to the overseas assignments of medical staff. This might appear to give some credence to Miami counter-revolutionary press (cubanews.org) sensationalization, but we did find some anecdotal evidence to suggest that it might be an issue.

Cuba must think, with Marti, in recreating the internal national dynamics of the revolution by prioritizing not only basic needs but also addressing the desires and demands of the Cuban people for more consumer goods. Although President Raúl Castro, in his Moncado day speech on 26 July 2008, was correct in emphasizing the enormous challenge of meeting the entire population's basic needs and demands on the basis of very limited resources, and that this challenge can be met with an energetic application of the right policy and strategy (on this see the discussion on the meaning of Raúl Castro's reforms). It could be accomplished by redressing the imbalances between the export and domestic sectors, the development of advanced training and the practical needs of the economy, and increased investment of the society's productive resources. In this connection, the current regime's emphasis on infrastructural development and productive investment in the industrialization of the country's non-renewable and particularly renewable resources is on the right track (*La Jornada*, 27 July 2008).[37] However, the educational system, currently oriented

36 Raúl Castro emphasizes the need to increase food production and industrialize and diversity the economy in his 26 July 2007 speeches, criticizing bureaucratic inertia and calling for new forms of property relations including foreign investment (the latter a response to the incompetence of current state administration).

37 'A work of special significance … is advancing at a good pace: the reconstruction and expansion of the aqueduct … by 2011 the renovation of the El Cobre and El Cristo aqueducts shall be completed … and the construction of the 15.6 miles of water pipeline … So far, 231.2 miles of major water networks and 370.6 miles of secondary water networks

to the service sector, should produce graduates with a more technical training that could help to further diversify manufacturing and revive food production.

Cuba has demonstrated a capacity to resolve internal contradictions and correct errors in economic policy – tacking with different shifts in the winds of change with 'the courage to rectify the mistakes made on the side of idealism in the management of our economy' (Fidel Castro, 26 July 1973). The current contradictions and problems, such as importation of food products that should and could be produced by Cuba, are not irresolvable but they do require a serious re-thinking of current priorities, strategies and structures. An open debate among all anti-imperialist Cubans is a necessary means for deepening and sustaining the achievements of the Revolution.

The new dogmas and posturing of apolitical and politically liberal artists, writers and filmmakers are as much of an obstacle to deepening the revolution as entrenched bureaucrats. The Cuban revolution and its leaders can count on an enormous reservoir of good will, solidarity and loyalty from the vast majority of Afro- and Euro-Cubans. But there are limits in time and patience: Cubans' desire for a good life is pressing for solutions to everyday needs.

Delays and constant postponements in meeting basic needs in housing, transportation, income and food only aids the liberal counter-revolutionaries who argue or clamour for greater market and political freedoms. Moral appeals and disciplinary measures are necessary but insufficient if they are not accompanied by greater popular oversight and growing availability of material goods, material incentives, affordable quality and varied food and available housing for each family generation. The future of the Revolution is now, not in our lifetime, but this year. Nothing less than the future of the Cuban Revolution is at stake as the current wide-reaching debate over strategy, social structures and political action proceeds.

As the historic leader of the Revolution of 1959, Commander Ramiro Valdes (Minister of Communication and Informatics), stated on 28 May 2007, 'Strengthening the internal economy, in the domains of science and technology, in the resolution of social problems and the quality of life of our people are tasks to which we must direct ourselves with greater efficiency, if we, the Revolution and Cuban socialism are to be really irreversible.'

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have been completed … Likewise, the modernization of the Quintero Uno … [and] work is being done on several water transfer systems throughout the country … heavy polyethylene pipes … increased with the construction of factories in Holguín and Havana City … This is an enormous investment that we are carrying out looking not only into the present but especially into the future … A special place among the new investments undertaken in cooperation with Venezuela is taken by petrochemicals: the increase of oil refining, the production of fertilizers and the manufacturing of synthetic resins … At the same time, a major expansion has been undertaken – in some cases with our own resources and in others with foreign companies – in the area of nickel, cement and mining … these works will be spread all over the country. For example, the expansion of the Hermanos Diaz oil refinery has been planned to exceed twice its capacity; at that point it will be in a position to supply oil to the entire eastern part of the country' (Castro, 26 July 2008).

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Chapter 6
Venezuela: Democracy, Socialism and Imperialism

Venezuela's President Hugo Chávez remains the world's leading secular, democratically elected political leader who has consistently and publicly opposed imperialist wars in the Middle East, attacked extraterritorial intervention and US and EU complicity in kidnapping and torture in diverse theatres of the global class war. Venezuela plays the major role in sharply reducing the price of oil for the poorest countries in the Caribbean region and Central America, thus substantially aiding them in their balance of payments, without attaching any 'strings' to this vital assistance. Venezuela has been in the forefront in supporting free elections and opposing human right abuses in the Middle East, Latin America and South Asia by pro-US client regimes in Iraq, Afghanistan and Colombia. No other country in the Americas has done more to break down the racial barriers to social mobility and the acquisition of land for Afro-Latin and Indo-Americans. President Chávez has been on the cutting edge of efforts toward greater Latin American integration – despite opposition from the US and several regional regimes, who have opted for bilateral free trade agreements with the US.

Of even greater significance, Chávez is the only elected president to reverse a US-backed military coup (in 48 hours) and defeat a (US-backed) bosses' lockout, and return the economy to double-digit growth over the subsequent four years (Weisbrot, Mark and Sandoval, 2008). He is the only elected leader in the history of Latin America to successfully win eleven straight electoral contests against US-financed political parties and almost the entire private mass media over a nine-year period. Finally, Hugo Chávez is the only leader in the last half-century who came within whisker (a 1 percent vote margin) of having a popular referendum for a 'socialist transformation' approved, a particularly surprising result in a country in which fewer than 30 percent of the workforce is made up of peasants and factory workers.

President Chávez has significantly reduced long-term deeply entrenched poverty faster than any regime in the region (Weisbrot, 2008), demonstrating that a nationalist-welfare regime can be more effective in ending endemic social ills than its neoliberal counterparts. A rigorous, empirical study of the socioeconomic performance of the Chávez regime demonstrates its success in a whole series of indicators after the defeat of the counter-revolutionary coup and lockout and after the nationalization of petroleum (2003).

GDP has grown by more than 87 percent with only a small part of the growth being in oil. The poverty rate has been cut in half (from 54 percent in 2003 at

the height of the bosses' lockout to 27 percent in 2007; and extreme poverty has been reduced from 43 percent in 1996 to 9 percent in 2007), and unemployment has been cut more than half (from 17 percent in 1998 to 7 percent in 2007). The economy has created jobs at a rate nearly three times that of the US during its most recent economic expansion. Accessible health care for the poor has been successfully expanded with the number of primary care physicians in the public sector increasing from 1,628 in 1998 to 19,571 by early 2007. About 40 percent of the population now has access to subsidized food. Access to education, especially higher education, has also been greatly expanded for poor families. Real (inflation adjusted) social spending per person over this period increased by more than 300 percent (Weisbrot, 2008).[1]

Chávez's policies have refuted the notion that the competitive demands of 'globalization' (deep and extensive insertion in the world market) are incompatible with large-scale social welfare policies. Chávez has demonstrated that links to the world market are compatible with the construction of a more developed welfare state under a popularly-based and democratically elected government.

The large-scale, long-term practical accomplishments of the Chávez government, however, have been overlooked by liberal and social democratic academics in Venezuela and their colleagues in the US and Europe, who prefer to criticize secondary institutional and policy weaknesses, failing to take into account the world-historic significance of the changes taking place in the context of a hostile, aggressively militarist-driven empire.[2]

No reasonable and rigorous contemporary analysis can seriously provide an accurate assessment of Venezuela while glossing over the tremendous accomplishments achieved during the Hugo Chávez presidency.

It is within the framework of Chávez' innovative and courageous political-social breakthroughs that we proceed to an analysis of the advances, contradictions and negative aspects of specific political, economic, social and cultural policies, practices and institutions.

The Advances and Limitations of Economic Policy

Venezuela has made tremendous advances in the economy since the failed coup of 11 April 2002 and the employers' lockout of December 2002-February 2003, which led to a 24 percent decline in the GDP (Weisbrot, 2008: 10). Under Chávez' leadership and with favourable terms of trade, Venezuela's economy grew by over 10 percent during the past five years, decreasing poverty levels from over 50

1 Also see 'Letter From Venezuela's Communication Minister to the Washington Post,' 26 March 2008 by Andres Izarra printed on 28 March 2008.

2 A good example can be found in the *Socialist Register* 2008. For an example of rampant propaganda disguised as scholarship, see Francisco Rodriguez, 'An Empty Revolution: The Unfulfilled Promises of Hugo Chávez,' *Foreign Affair,* March/April 2008.

percent to under 28 percent, surpassing any country in the world in terms of the rate of poverty-reduction. In contrast to the past, the economy accumulated over $35 billion dollars in foreign exchange reserves despite a vast increase in social spending and has totally freed itself of dependence on the onerous terms imposed by the self-styled 'international banks' (IMF, World Bank and Inter-American Development Bank) by paying off its debt (Weisbrot, 2008: 10).

The government has nationalized strategic enterprises in the oil and gas industries, steel, cement, food production and distribution, telecommunications and electricity industries. It has passed new excess profits taxes, doubling its revenues. It has signed new petroleum and gas joint ventures with over a dozen European, Asian and Latin American multinationals giving the Venezuelan state majority control. It has expropriated several million acres of uncultivated farmland from speculators and absentee owners and more recently an additional 32 under-producing plantations.[3] The importance of these structural changes cannot be understated. In the first place they increased the capacity of the Chávez government to make or influence strategic decisions regarding investment, re-investment, pricing and marketing. The increase in state ownership increases the flow of revenues and profits into the federal treasury, enhancing financing of productive investments, social programmes and downstream processing plants and services. The government is slowly diversifying its petroleum markets from a hostile adversary (the USA) to trade and investment with countries like China, Brazil, Iran and Russia, thus reducing Venezuela's vulnerability to arbitrary economic boycotts.

The government has started a large-scale, long-term project to diversify the economy, and especially to become food self-sufficient in staples like milk, meat, vegetables and poultry.[4] Equally important investments in processing raw petroleum into value-added products like fertilizers and plastics are now operative, albeit at a slow pace. New refineries are on schedule to substitute dependence on US-based operations and to add value to their exports. New public transport systems are advancing as is visible in the new metro being built in Caracas, which will lessen the traffic jams and air pollution. Over 2.5 billion Strong Bolivars, the new Venezuelan currency (over $1 billion dollars) has been allocated in the form of incentives, credit and subsidies to promote the increase in agricultural production and processing (*Vea*, 25 February 2008, 2). Investments in new lines of production linked to social programmes are underway, including new enterprises manufacturing 15,000 prefabricated houses per year.[5]

Like the rest of the world, Venezuela is much concerned with, if not deeply affected by, inflation, especially in regard to imported food. Inflation has escalated over the last three years rising from 14 percent in 2005, to 17 percent in 2006 and 22

3 Interview with peasant leaders of the Frente Nacional Campesino Eqzquiel Zamora in Caracas, 27 February 2008. *Boston Globe*, 11 April 2008.

4 Interview with President Chávez, Caracas, 2 March 2008.

5 Interview with President Chávez, 2 March 2008.

percent in 2007, threatening to undermine the gains in living standards made over the last five years (Weisbrot, 2008). To some extent, inflation can be regarded as an inevitable cost of government intervention in the economy – using government expenditures to lead demand – an acceptable (from a Keynesian perspective) trade-off for increased growth and welfare. Nevertheless, the government cannot afford to forget the lessons of rampant inflation in the 1970s and 1980s: that it is not simply a concern for government official and policy-makers but a major issue for the poor, vulnerable like no other social group to its erosion of purchasing power capacity.

In any case, attempts of government officials to impose price controls has had limited effect as big food producers have cut back on production, food distributors have decrease shipments and even hoarded essential goods and retail sellers have traded on the black market. On the surface (the common explanation given by economists), the problem is that consumer power has increased faster than productivity, increasing demand relative to supply. However, apart from the private sector 'actions' taken to shape the market, the deeper structural reason is the decline in capitalist investment in production and distribution – despite high profits. Many capitalist food producers and food processors in Venezuela as elsewhere under current market conditions have diverted their profits into investments in speculative activity, including imports of luxury goods and real estate where there is a higher rate of return. This might be seen as the inevitable cost of compartmentalizing the economy into three sectors – public, private and popular.[6] In this context, some investors gave withdrawn capital from the production process for political rater than economic reasons, i.e. because of opposition to the government; others have done so because of fears of agrarian reform, while – as might be expected – many if not all private sector business operators complain about 'price controls' leading to a 'profit squeeze'. But these complaints, or the actions they lead to, do not account for low productivity, which existed before price controls and continued even after the government lifted the controls.

Inflation and the resultant negative impact was one of the principal reasons for popular abstention during the December 2007 referendum and the cause of popular discontent today in Venezuela.[7] And of course both the far right and

6 Theoretically, the public sector is based on state-directed policies and expenditures while the private sector relies on the workings of the free or regulated market. The popular sector in this context functions in the relative absence of the state and the market; i.e. it relies on what sociologists and some economists have termed 'social exchange' – the workings of an economy of solidarity, driven by relations of reciprocal exchange and the accumulation of social capital. To some, the social economy is the answer to the limits and problems of state-led and market-led development.

7 Few issues are as critical to the poor and as ignored by the political left as inflation. It was the issue that in 1994 catapulted Cardoso to state power in Brazil and eroded the significant electoral advantage held by Lula over Cardoso in the months leading up to the election. It would take Lula two more runs at the presidency before he and his advisors wised up to the importance of inflation a not just a right-wing issue but very much working

the ultra-left (especially in some neighbourhoods and trade unions) have been exploiting this discontent.

Inflation is one of the principal reasons for the decline of the popularity of various regimes on the left, centre and right throughout history in Europe, as well as in Latin America.[8] In large part this is because the great majority of workers in Venezuela as in Mexico and other countries in the region are 'self-employed', working 'on their own account' on the streets, and have no organization or indexed wages or income to keep up with the rise in prices. In Venezuela, even the major industries, like petroleum, steel and aluminium, have 'sub-contracted' most of their workers who lack any power to negotiate for wage increases tied to inflation. In this mixed economy context, government subsidies and promotional incentives to industrial and agricultural capitalists to promote productivity have led to increased profits – without commensurate increases in wage income. During the period from February to April 2008, the state intervened directly in the productive process, through the takeover of unproductive companies and farms. New worker and peasant demands include 'opening the books' of the profitable firms and farms in pursuit of wage and collective bargaining negotiations, re-opening closed firms and investments in new public enterprises. Chávez's advisors recognized that the problem of production (supply) will continue to lead to too many Bolivars chasing too few consumer goods – inflation, discontent and political vulnerability – unless the nationalization process is accelerated and public ownership is extended. Hence the actions taken by the government in 2008 to nationalize economic enterprises in the steel and cement industries.

But to effectively intervene and take control of strategic economic sectors, the government requires working class organizations, cadres and leaders able to co-manage the enterprises, 'opening the books' on investments, profits and wages and establish work discipline. Under present capital-labour relations, capitalists totally neglect investment in technology and innovations, employ temporary or contingent workers under precarious conditions and depend on the Venezuelan state to enforce harsh labour codes.

In advancing the Bolivarian road to socialism, the regime has to deal with its own incompetent and reactionary officials. For example, prior to the nationalization of the major steel multinational SIDOR, the Minister of Labour, an incompetent and inexperienced functionary with no prior relation to labour, sided with the company and approved of the Governor of the state of Bolivar in calling out the National Guard to break the strike. Throughout 2007-2008, the management

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class (and also middle class) issue. On the *political* significance of inflation in the current context of export primarization and runaway inflation in the price of gasoline, cooking fuel and foodstuffs see Petras (2008).

8 Hyperinflation brought down the social democratic Alfonsin regimes in Argentina (1989) and Garcia in Peru (1990); weakened the Allende regime in 1973 and led to right wing take over. Hyperinflation has also led to the collapse of rightwing regimes in China (1945-1949) and the rise of Communism as well as regime change in Brazil in the 1990s.

of SIDOR refused to negotiate in good faith with the unions, which provoked strikes in January in February and March 2008. The intransigence of the steel bosses increased the militancy of the workers and led to Chávez's intervention. In defence of his order to nationalize, Chávez cited the positive role of the steel workers in opposing the coup, the 'slave-like' work conditions and the export strategies, which denied the domestic construction industry the steel it needed for high-priority homebuilding. He called on the nationalized industry to be run by 'workers councils' in an efficient and productive manner – advancing a strictly socialist form of organizing production (*Reuters News Service*, 9 April 2008; *BBC News*, 2 April 2008).

Government repression of strikes provoked regional union solidarity and worker-led marches against the National Guard and calls for the resignation of the ineffective Labour Minister. After Chávez nationalized steel, trade unions from major industrial sectors met to coordinate support for the President and press for further moves in the direction of public ownership and socialism. As for the National Guard, it is part of the state apparatus but it is by no means clear whether its power can be called upon or exercised by the government itself. The brutality and excess use of force ordered by the General in charge of the National Guard is indicative of a profoundly anti-working class, pro-big business bias of the Guard officers, a potentially dangerous threat to the Chávez government in the future.[9]

However, by confronting the problem of inflation and the overvalued, strong Venezuelan Bolivar Chávez is dealing with an issue that is real and deeply felt by most workers – showing that it has learned the hard lessons of the left in the 1980s, that viewed inflation as a rightwing issue. Failure by the government to deal with the structural roots of inflation makes it vulnerable to demagogic appeals by the right and the sectarian ultra-left and its principal beneficiary – US imperialism.

New public investments in fertilizer plants, prefabricated housing, positive measures reducing inflation by one third in the first two months of 2008 and policies sharply increasing food supply by 20 percent indicated that the Chávez government was beginning to confront some of the economy's weak points. In visits to several public and private retail markets during the last part of February and early March, we did not find any shortages of essential items, contrary to charges by the opposition and the US and European media reports, and despite efforts by private sector groups to create shortages. An opposition organized protest of shortages of liquid gas in Catia (a popular neighbourhood in Caracas) was front-page news (with blown-up photos) in the opposition daily, *El Universal*, but with no follow up reports when the government sent in supplies the next day (*El Universal*, 5 March 2008. p.1).

By the beginning of 2008, public spending, which is not always efficiently invested or entirely free of corruption, reduced unemployment 8.5 percent, the lowest in decades. However, a government goal of 5.5 percent seems overly optimistic, especially in light of the fallout from the US recession and decline in European demand.

9 'La grave represión de los trabajadores siderúgicos,' *Argenpress*, 24 March 2008.

The big challenge to Chávez' economic policy in 2008, a year of important state and local elections in November, is to ensure that the inevitable mid-year increase in public spending is directed toward productive investments and not to populist short-term programmes, which could ignite another wave of inflation. We can expect that as the elections approach the capitalist class will once again resort to 'planned shortages', distribution blockages, as well as other politically induced economic problems in order to blame and discredit the government. Thus, unless the government reduces its reliance on the private sector for investments, employment, production, finance and distribution, it will be forced into taking costly and improvised measures to avoid electoral losses and popular abstention. The indivisible ties between private business control over strategic economic decisions and its paramount interest in pursuing political measures designed to undermine the Chávez government, means that the government will remain under constant threat unless it manages to take control of the commanding heights of the economy. And indeed in recognition of those structural factors Chávez has announced plans to nationalize strategic sectors. The government in this sense appears to have become somewhat pro-active, anticipating shocks from the economic elite and displacing them from power. To depend on the private sector would force the government to continue to be 'reactive', improvising responses to economic attacks during and after the fact and suffering the negative political consequences.

Politics: The Chavistas Strike Back

During the latter half of 2007, in the run-up to the referendum, and early 2008, the rightwing offensive (aided by the ultra-left) took hold and put the government on the defensive. Early March 2008, the pro-Chávez forces regrouped and launched a new political party – The Venezuelan United Socialist Party (PSUV) at a national convention in Maracaibo. In response to the defeat of the referendum, President Chávez called on his supporters to engage in a '3-R Campaign': Review, Rectify and Re-launch. This initiative has led to the election of new party leaders, a decline in old guard paternalistic bosses in the leadership of the PSUV, a rejection of sectarianism toward other pro-Chávez parties and a revitalization of grassroots activism.[10] The party is intended to oversee the mobilization of the Chávez supporters and to educate and organize potential working and lower middle class constituents. The party is mandated to evaluate, criticize and correct the implementation of policies by local officials and engage the mass social movements in common struggle. To succeed the party must organize local popular power to counteract corrupt Chávez-affiliated as well as opposition policy-makers, press

10 'Partido Socialista Unido de Venezuela: Herramiento de Masas in Gestión,' *Rebelión*, 25 March 2008.

local demands and initiatives, counter rightwing infiltration of neighbourhoods by Colombian and local terrorists and turn out the vote at election time.

For the PSUV to succeed as a political organization it needs to take power away from the local clientelistic political machines built around some of the state, regional and municipal level Chavista officials. It needs to overcome the tendency to appoint leaders and candidates from above and to deepen rank and file control over decisions and leaders.[11] Even during the founding congress of the PSUV several delegations criticized the process of electing the national leadership – for neglecting popular representation and overloading it with much criticized political officials.[12]

Active communal councils under democratic control have been effective in giving voice and representation to a large number of urban and poor neighbourhoods. They have secured popular loyalty and support wherever they have delivered needed services and led struggles against incompetent or recalcitrant Chavista officials.

Violence, crime and personal insecurity are major issues for most poor and lower middle class supporters of the Chávez regime and the police are viewed as ineffective at reducing crime and securing their neighbourhoods and at times, complicit with the gangsters. Proposals by the government for greater cooperation between neighbourhood committees and the police in identifying criminals have had little effect. This is in part because police have shown little interest in developing on-the-ground, day-by-day relations in the poorer barrios, which they tend to view as 'criminal breeding grounds'.

Armed gangs controlling the poor neighbourhoods commit most of the crime. Local residents fear retaliation if they cooperate or worse, they think that the police are complicit with the criminals. Even more seriously reports from reliable intelligence sources have identified large-scale infiltration of Colombian death squad narco-traffickers who combine drugs peddling and rightwing organizing, posing a double threat to local and national security. While the government has taken notice of the general problem of individual insecurity and the specific problem of narco-political infiltration, no national plan of action has yet been put into practice, apart from periodic routine round-ups of low-level common criminals.[13]

Venezuela should learn from the example of Cuba, which has had successful crime fighting and anti-terrorist programmes for decades organized around a tight network of local 'committees to defend the revolution' and backed by a politically trained rapid action internal security force and an efficient judiciary. Individual security and political freedom depends on the collective knowledge of crime groups' infiltration and the courage of local committees and individuals.

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11 Ibid.

12 Interview in Caracas with PSUV delegates, 1 March 2008.

13 Interview with Minister of the Interior Ramon Rodriguez Chacun, *La Jornada*, 31 March 2008.

Their cooperation requires trust in the integrity, respect and political loyalty of the internal security forces. Their intelligence, evidence collection and testimony depend on the protection of local citizens by the internal security forces against gangster retaliation.

A new type of 'police official' needs to be created who does not view the neighbourhood and its committees as hostile territory – they must live and identify with the people they are paid to protect. To be effective at the local level, the Chávez government must display exemplary behaviour at the national level: It must prosecute and jail criminals and not grant amnesty or give light sentences to coup-makers and economic saboteurs, as Chávez did in early 2008. The failure of the current Attorney General to pursue the murderers of her predecessor, Attorney General Danilo Anderson, was not only a shameful act but it set an example of incompetent and feeble law enforcement which does not create confidence in the will of the state to fight political assassins.[14]

'Popular power' will only become meaningful to the masses when they feel secure enough to walk their streets without assaults and intimidation, when the gangs no longer break into homes and local stores, and when armed narco-traffickers no longer flaunt the law. In Venezuela, the struggle against the oligarchs, George Bush and Colombia's Uribe begins with a community-based war against local criminals, including a comprehensive tactical and strategic sweep of known criminal gangs followed by exemplary punishment for those convicted of terrorizing the residents. This is one way to make the government respected at the grassroots level and to reassert and make operative the term popular sovereignty. In every barrio today it is not only the rightwing US-funded NGOs that challenge Chávez's authority, it is the armed criminal elements, increasingly linked with reactionary political groups. To successfully confront the external threats, it is incumbent on the government to defeat the gangsters and narco-traffickers that represent a real obstacle to mass mobilization in time of a national emergency, like a new coup attempt.

Failures by some middle level Chávez officials to ensure security and resolve local problems have eroded popular support for political incumbents. The majority of local residents, popular leaders and activists still voice support for President Chávez even as they are critical of the 'people around him', 'his advisers', and 'the opportunists'.[15] How this will play out in the November election is not totally clear. But unless fundamental changes take place in candidates and policies, it is likely that the opposition will increase their current minimal representation in state and municipal governments.

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14 Interview with Communal Councils, 29 February 2008. According to a poll by the respected polling group, Barometro, in early April 2008, 66.5 percent of Venezuelans approved Chávez presidency.

15 Commentaries from Communal Council delegates and peasant activists in Caracas, 'Popular Power Meeting' at the Ministry of Culture and Popular Power, 29 February 2008.

Social and Cultural Advances and Contradictions

Under the leadership of President Chávez, Venezuela has made unprecedented social and cultural changes benefiting the broad majority of the urban and rural poor, and working and lower middle classes. Nine new Bolivarian universities and dozens of technical schools have been established with over 200,000 students.[16] Over 2.5 million books, pamphlets and journals have been published by the new state-financed publishing houses, including novels, technical books, poetry, history, social research, natural sciences, medical and scientific texts.[17] Two major television studios and communitarian-based TV stations provide international, national and local news coverage that challenges opposition and US-based (CNN) anti-government propaganda. A major news daily, *Vea*, and several monthly and weekly magazines debate and promote pro-Chávez politics.[18]

Several government-funded 'social missions', composed of tens of thousands of young volunteers, have reduced urban and (to a lesser degree) rural illiteracy, extended health coverage, while increasing local participation and organization in the urban 'ranchos' or shantytowns.[19] Major cultural events, including musical, theatre and dance groups regularly perform in working class neighbourhoods. The Ministry of Culture and Popular Power has initiated a vast number of overseas and local programmes involving the Caribbean and Latin American countries.[20] Sports programmes, with the aid of Cuban trainers, have received large-scale government funding for physical infrastructure (gymnasiums, playing fields, uniforms and professional trainers) and have vastly increased the number of athletes among the urban poor. Major funding to defend and promote indigenous and Afro-Venezuelan culture is in the works, and some movement to 'affirmative action' is envisioned, though cultural representation in fields other than sports, music and dance is still quite limited. There is no question that Venezuela is undergoing a 'cultural revolution' – reconstructing and recovering its popular, historical and

16 Interview with Carmen Boqueron, Ministry of Culture, 25 February 2008.

17 Interview with Miquel Marquez, President Editorial *El Perro y la Rana*, State Publishing House, 5 March 2008.

18 See *La Plena Voz*, *Memórias*, *Política Exterior y Soberania*, among other magazines.

19 These 'misiones sociales', a key feature of the Bolivarian Revolution, have been established in diverse areas: in the launching of a major literacy campaign (Misión Robinson), launched on 1 July 2003, on the basis of Cuba's 'Yo, sí Puedo' system and extensive direct support from Cuba in the form of teachers; health (Misión Barrio Adentro), launched on 14 December 2003, although with Cuban support in the form of thousands of health professionals); and food enterprise development and provision to the poor in the barrios (Misión MERCAL, January 2004). On these 'misiones' and their contribution to moving Venezuela towards socialism see Sánchez (2005). As for the extraordinary contribution of Cuba's internationalism towards social development in Venzuela since 2003 see Saney (2008).

20 Interview with Carmen Boquerón, 26 February 2008.

nationalist roots buried in the frivolous and imitative artifacts of a century of culturally colonized oligarchs and their middle class followers.

Cultural Contradictions and Challenges

While Venezuela's exercise in 'cultural revolution' has made a massive impact in raising educational and cultural levels, it has not yet decisively displaced the cultural hegemony of the bourgeoisie and US imperialism. The latter still holds sway over the vast majority of the upper and affluent middle class professionals, Central University academics and students, and important sectors of the public and especially private professional groups (doctors, lawyers, publicists, engineers, etc.). Despite substantial pay increases and additional stipends, these middle class professionals still cling to their reactionary beliefs in a fit of 'status panic'.

Chávez in this connection, speaking at the first graduating class of the new inclusive (open admission) Venezuelan Bolivarian University, cited a doctoral thesis which found that 94 percent of students at the publicly-funded elite 'public' university, Venezuelan Central University (UCV), were from the upper and middle class, while 99 percent of the students at the private Simon Bolivar University (SBU) were from the same privileged classes. Especially disturbing was the increasingly exclusive and privileged nature of the UCV and SBU: in 1981 the UCV enrolled 21 percent from the lower classes compared to 6.5 percent in 2000; the SBU went from 13 to 1 percent in the same period. To open higher education to the working class, the poor and the peasants, the Chávez government has begun the construction of 29 public universities, upgrading 29 vocational-technical schools into Polytechnic Universities, and increasing the number of full scholarships from 6,000 to 10,000.

While the vast number of lower class neighbourhoods and individuals have benefited from state health, educational and cultural programmes, popular education in creating collective solidarity and class consciousness still has had a limited impact. Some individuals from the lower class who had set up economic cooperatives were either incapable of operating them or absconded with state funds. Similar theft and corruption afflicted some of the 'missions', where poor accounting practices facilitated waste and losses. Populist paternalism and official negligence (and corruption) weakened the effort to create a new nationalist class-consciousness linked to a new popular hegemony. On the other hand, Chávez's intervention in nationalizing the steel industry during the labour-capital dispute heightened class-consciousness and factory worker identification with the Venezuelan road to socialism.

Over the past five years the state-financed television programmes have greatly improved in terms of their professionalism and programming. They still have not fully overcome the continued hegemonic hold of the bourgeois media over sectors of the popular majority. In terms of entertainment and breaking news coverage, especially during the run-up and the day of the 2 December 2007 referendum, the

bourgeois media dominated public attention due, in large part, to the absence of pro-government media coverage.

One of the least effective pro-government print media is the daily newspaper *Vea*, which is read by few people because of its poor news reporting (big headlines, no content) and mediocre columns and essays. The Minister of Culture and Popular Power told me that substantial changes would soon take place.[21] The wide reaching cultural programmes have improved cultural levels but has not led to the growth of mass Chavista cultural movements. Less than 10 percent of the students at the Central University of Venezuela (UCV) are active members of Chavista student movements or affiliated organizations (according to a Chavista student leader), despite significant improvements in university salaries and facilities.[22] Apparently family and class identification takes precedence over cultural egalitarianism. The vast majority of students and professors at the UCV are apolitical, indifferent or into strictly vocational training and individual mobility. An active minority supports opposition groups; some are linked to US universities and CIA-funded 'leadership training' programmes while small Trotskyist, Maoist and other sects agitate against the government.

The emergence of the autonomous pro-Chávez communal councils, linked to the Ministry of Culture and Popular Power, is probably the most effective counter-hegemonic movement. It is also the cell of a new potential popular decentralized socialist state based on workers control over the workplace and community control over local development. The political and social activities of party activists and leaders of the PSUV can succeed in creating a new class consciousness so long as they involve the masses in solving their own practical problems and assume local responsibility for their actions. Chavista cadres, with a paternalistic mind- and action-set, create patron-client consciousness vulnerable to quick switches to oligarchic-client relations. The key contradiction in the cultural reformation is in the 'middle class' Chavista configuration that carries over its paternal orientation in implementing its class consciousness raising programmes to the popular classes.

There is a great need for recruitment and education of young local cadres from the barrios, who speak the language of the people and have the class bonds to integrate the masses into a nationalist and socialist cultural-social programme. The government's cultural and popular power movement is a formidable force but it faces tenacious opposition from the virulent and disreputable mass media aligned with the oligarchy. As the Venezuelan process moves toward egalitarian socialist values, it faces the more subtle but more insidious opposition of middle class students, professors and professionals who in the name of 'liberal democracy' and 'pluralism' seek to destroy cultural class solidarity. In other words, we have a struggle between the progressive minority from the middle class in the

21 Interview with Minister of Culture, 1 March 2008.

22 Interview 29 February 2008. Even at the new Bolivarian Universities, only a minority of working class students are involved in political activities, most concentrate on their studies and future job prospects. However among active students at the new universities, the great majority is pro-Chávez.

government against the majority of reactionary liberal middle class individuals embedded in academic institutions and in the community-based NGOs. Only by gaining the support of the people outside the middle class, i.e. the radical and exploited popular classes, can the cultural reformists in the Culture Ministry create a dominant popular hegemony.

Popular versus Reactionary Middle Class Movements

To discuss the highly polarized social confrontation between the pro-Chávez popular movements and the US-backed oligarch-supported middle class movements, it is important to contextualize the social, political and economic relations that preceded the ascendancy of the Chávez government. The US has been and remains the principal point of reference for Venezuela's oligarchy and the middle class. US-Venezuelan relations were based on US hegemony in all spheres – from oil to consumerism, from sports to lifestyle, from bank accounts to marriage partners. The role models and life styles of the Venezuelan middle class were found in the upscale Miami suburbs, shopping malls, condos and financial services. The affluent classes were upper class consumers; they never possessed a national entrepreneurial vocation.

The oil contracts between US and European firms and the PDVSA were among the most lucrative and favourable joint ventures in the world. They included negligible tax and royalty payments and long-term contracts to exploit one of the biggest petroleum sites in the world (the Orinoco 'tar belt'). The entire executive leadership of what was formally described as a 'state enterprise' was heavily engaged in dubious overseas investments with heavy overhead costs, which disguised what was really executive pillage and extensive cost overruns, that is, massive sustained corruption.[23] From the senior oil executives, the pillaged oil wealth flowed to the upper middle class, lawyers, consultants, publicists, media and conglomerate directors, a small army of upscale boutique retailers, real estate speculators and their political retainers and their entourage among middle level employees, accountants, military officials, police chiefs and subsidized academic advisers. All of these 'beneficiaries' of the oil pillage banked their money in US banks, especially in Miami, or invested it in US banks, bonds and real estate. In a word, Venezuela was a model case of a rentier-bureaucratic ruling class profoundly integrated into the US circuits of petroleum-investment-finance. Systematically, culturally and ideologically they saw themselves as subordinate players in the US 'free trade-free market' scheme of things. Chávez' assertions of sovereignty and his policies re-nationalizing Venezuelan resources were seen as direct threats to the upper-middle class' essential ties to the US, and to their visions of a 'Miami' life style.

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23 From the beginning of the first nationalization in 1976 under President Carlos Andres Perez, the fundamental question was 'nationalization for whom?'. In the 1970s to the re-privatizations, the answer was the wealthy elites (Petras, Morley and Smith, 1977).

This deep subordinated integration and the colonized middle class values and interests that accompanied it, was deeply shaken by the crash in the Venezuelan economy throughout the 1980s and 1990s. Emigration and relative impoverishment of a wide swath of pubic employees, professionals and previously better-paid workers seemed to 'radicalize' them or create widespread malaise. The profound downward mobility of the impoverished working class and lower-middle class, as well as professionals, led to the discredit of the endemically corrupt leaders of the two major political parties, mass urban riots, strikes and public support for an aborted Chávez-led military uprising (1992). These events led to his subsequent election (1998) and the approval of the referendum authorizing the writing of a new, more profoundly democratic constitution. Yet the middle class rebellion and even protest vote in favour of Chávez, was not accompanied by any change in political ideology or basic values. They saw Chávez as a stepladder to overcome their diminished status, and paradoxically, to refinance their 'Miami' life-style, and gain access to the US consumer market.

Time and circumstance demonstrated that when push came to shove, in November 2001-April 2002, when the US confronted and was complicit in the short-lived, but failed coup, the bulk of the middle class backed the US-Venezuelan elite.[24] The US-backed coup was a direct response to President Chávez' refusal to support the White House-Zionist orchestrated 'War on Terror'. Chávez declared: 'You don't fight terror with terror' in answer to President Bush's post-September 11, 2001 call to arms against Afghanistan. This affirmed Chávez' principled defence of the rights of self-determination and his unwavering stand against colonial wars. US Undersecretary of State for Political Affairs, Mark Grossman personally led an unsuccessful mission to Caracas in the fall of 2001 to pressure Chávez to back down.[25] Chávez was the only president in the world prepared to stand up to the new militarist Bush doctrine and thus was designated an enemy. Even worse, from the point of view of the Bush Administration, Chávez' nationalist policies represented an alternative in Latin America at a time (2000-2003) when mass insurrections, popular uprisings and the collapse of pro-US client rulers (Argentina, Ecuador and Bolivia) were constant front-page news.

In the run up to the April 2002 coup, the policies of the Chávez government were extremely friendly to what are reputed to be 'middle class' values and interests – in terms of democratic freedoms, incremental socioeconomic reforms, orthodox fiscal policies and respect for foreign and national property holdings and capitalist labour relations. There were no objective material reasons for the middle classes or even the economic oligarchy to support the coup except for the fact that their status, consumerist dreams, life style and economic investments were closely linked with the United States. In a word, the US exercised near

24 Eva Golinger's detailed documentary study based on files secured from the US Government through the Freedom of Information Act that provides ample evidence of US intervention.

25 Interview with Venezuelan Presidential adviser, Paris, November 2001.

complete hegemony over the Venezuelan upper and middle classes. As a result, its policies and its global interests became identified as 'the interests' of the wealthy Venezuelans. Venezuelan elite identification with US policy was so strong that it compelled them to back a violent coup against their own democratically elected government. The Caracas ruling class supported the imposition of an ephemeral US-backed dictatorial political regime and an agenda, which, if fully implemented, would have reduced their access to oil revenues, and the trade and socioeconomic benefits they had enjoyed under Chávez. The brief coup-determined junta proposed to withdraw from OPEC, weakening Venezuela's bargaining position with the US and EU, expel over 20,000 Cuban physicians, nurses, dentists and other health workers who were providing services to over two million low income Venezuelans without receiving any reciprocal compensation from Washington (www.rebelion.org, 13 April 2002).

The economic elite and the middle class's second attempt to overthrow Chávez began in December 2002 with a bosses and oil executive lockout. This lasted until February 2003 and cost over $10 billion dollars in lost revenues, wages, salaries and profits (Weisbrot, 2008). Many Venezuelan businessmen and women committed economic suicide in their zeal to destroy Chávez; unable to meet loan and rent payments, they went bankrupt. Over 15,000 executives and professionals at the PDVSA, who actively promoted the strike and, in a fit of elite 'Luddite' folly, sabotaged the entire computerized oil production process, were fired. The principal pro-US and long time CIA funded trade union confederation suffered a double defeat for their participation in the attempted coup and lockout, becoming an empty bureaucratic shell. The upper and middle classes ultimately became political and social losers in their failed attempts to recover their 'privileged status' and retain their 'special relation' with the US. While the privileged classes saw themselves as 'downwardly mobile' (an image which did not correspond with the reality of their new wealth especially during the commodity boom of 2004-2008), their frustrations and resentments festered and produced grotesque fantasies of their being ruled by a 'brutal communist dictator'. In fact, under the Chávez presidency (after 2003), they have enjoyed a rising standard of living, a mixed economy, bountiful consumer imports and were constantly entertained by the most creatively hysterical, rabidly anti-government private media in the entire hemisphere. The media propaganda fed their delusions of oppression. The hardcore privileged middle class minority came out of their violent struggle against Chávez depleted of their military allies. Many of their leaders from the business associations and moribund trade union apparatus were briefly imprisoned, in exile or out of a job.

On the other hand, the pro-Chávez mass supporters who took to the streets in their millions and restored him to the Presidency, and the workers who played a major role in putting the oil industry back in production and the factories back to work, provided the basis for the creation of new mass popular movements. Chávez never forgot their support during the emergency. One of the reasons he cited for

nationalizing the steel industry was the support of the steel workers in smashing the bosses' lockout and keeping the factories in operation.

Venezuela is one of the few countries where both the left and the right have built mass social movements with the capacity to mobilize large numbers of people. It is also the country where these movements have passed through intense cyclical volatility. The tendency has been for organizations to emerge out of mass struggle with great promise and then fade after a 'great event' only to be replaced by another organized 'movement', which, in turn, retains some activists but fails to consolidate its mass base. In effect what has been occurring is largely sequential movements based on preexisting class commitments that respond in moments of national crises and then return to everyday 'local activities' around family survival, consumer spending, home and neighbourhood improvements. While this ebb-and-flow cycle of mobilization is common enough, what is striking in Venezuela is the degree of engagement and withdrawal: the mass outpouring and the limited number of continuing activists.

Looking at the big picture over the past decade of Chávez rule, there is no question that civil society activity is richer, more varied and expressive than during any other government in the last sixty years. Starting from the popular democratic restoration movement that ousted the short-lived military-civilian junta and returned Chávez to power, local community based movements proliferated throughout the ranchos (slums) of the big cities, especially in Caracas. With the bosses lockout and actual sabotage, the factory and oil field workers and a loyal minority of technicians took the lead in the restoration of production and defeating the US-backed executive elite. The direct action committees became the nuclei for the formation of communal councils, the launching of a new labour confederation (UNT), and new 'electoral battalions', which decisively defeated a referendum to oust Chávez. From these 'defensive organizations' sprang the idea (from the government) to organize production cooperatives and self-governing neighbourhood councils to bypass established regional and local officials. Peasant organizing grew and successfully pressured for the implementation of the land reform law of 2001. As the left organized, the right also turned to its 'normal institutional base' – FEDECAMARAS (the big business association), the cattle and large landowner organizations, the retailers and private professionals in the Chambers of Commerce and toward neighbourhood organizations in the up-scale neighbourhoods in Altimar and elsewhere. After suffering several demoralizing defeats, the right increasingly turned its attention toward US funding and training from NGOs, like SUMATE, to penetrate lower class barrios and exploit discontent and frustrations among the middle class university students whose street demonstrations became detonators of wider conflicts (Golinger, 2005).[26]

26 Golinger provides extensive documentation of US financing of the self-styled NGOs through AID and NED (National Endowment for Democracy), a government conduit for destabilizing regimes critical of the US.

The Chavistas consolidated their organizational presence with health clinics, subsidized food stores and coops and educational programmes. The right consolidated its hold over the major prestigious universities and private high schools. Both competed in trying to gain the allegiance of important sectors of the less politicized, sometimes religious low-income informal workers and higher paid unionized workers – both focused on immediate income issues. The Chavistas secured nearly 50 percent of the vote among the voters in a radical referendum spelling out a transition to socialism, losing by 1 percent. The right wing capitalized on the abstention of 3 million, mostly pro-Chávez, voters to defeat the referendum. For a more detailed analysis see Petras (2007).

The rightwing, via violence and sustained disinvestment in the country, has polarized Venezuela despite nearly double-digit sustained growth over a five-year period. This basic contradiction reflects the fact that the 'socialist project' of the government takes place in the socioeconomic framework in which big capitalists control almost all the banking, financing, distribution, manufacturing, transport and service enterprises against the gas-oil-telecom, electricity, steel, cement and social service sectors of the government. In April 2008, Chávez launched a major offensive to reverse this adverse correlation of economic power in favour of the working classes by expropriating 27 sugar plantations, food distribution networks, meat packing chains, as well as the major cement and steel complexes.

In 2008 Chávez recognized that the populace mobilized 'from below' was stymied by 'commands' issued by the economic elite 'from above'. Whether it is food distribution or production, job creation or informal/contingent employment, funding small farmers or speculative landlords trading in bonds or financing oil derivative plants – all of these strategic economic decisions which affect class relations, class organization, class struggle and class consciousness were in the hands of the mortal enemies of the Chávez government and its mass base. By directly attacking these crucial areas affecting everyday life, Chávez is revitalizing and sustaining mass popular organization. Otherwise to remain subject to elite economic sabotage and disinvestment is to demoralize and alienate the popular classes from their natural gravitation to the Chávez government.

US–Venezuela Relations

More than in most current Latin American societies, the Venezuelan ruling and middle classes have demonstrated a willingness to sacrifice their immediate economic interests, current remunerative opportunities, lucrative profits and income in pursuit of the high risk political interests of the US. How else can one explain their backing of the US-orchestrated coup of April 2002 at a time when Chávez was following fairly orthodox fiscal and monetary policies, and had adopted a strict constitutionalist approach to institutional reform? How else can one explain engaging in an executive and bosses two-month lockout of industry and oil production, leading to the loss of billions in private revenues, profits and

salaries and ultimately the bankruptcy of hundreds of private firms and the firing of over 15,000 well-paid senior and middle level oil executives?

Clearly the shadow of the US hegemony over the Venezuelan elite and middle class has a strong component of ideological-psychological self-delusion: a deep, almost pathological identification with the powerful, superior white producer-consumer society and state and a profound hostility and disparagement of 'deep Venezuela' – the Afro-Indian-mestizo masses.

Typifying Theodor Adorno's 'authoritarian personality', the Venezuelan elite and its middle class imitators are at the feet and bidding of those idealized North Americans above and at the throat of those perceived as degraded dark-skinned, poor Venezuelans below. This hypothesis of the colonial mentality can explain the pathological behaviour of Venezuelan professionals who, like its doctors and academics, eagerly seek prestigious post-graduate training in the US while disparaging the 'poor quality' of new neighbourhood clinics for the poor where none had existed before and the new open admission policies of the Bolivarian universities – open to the once marginalized masses.

The deep integration – through consumption, investments and vicarious identification – of the Venezuelan upper and middle classes with the US elite forms the bedrock of Washington's campaign to destabilize and overthrow the Chávez government and destroy the constitutional order. Formal and informal psycho-social ties are strengthened by the parasitical and rentierist economic links based on the monthly/yearly consumer pilgrimages to Miami. Real estate investments and illegal financial transfers and transactions with US financial institutions, as well as the lucrative illegal profit sharing between the former executives of PDVSA and US oil majors provide the material basis for pro-imperialist policies.

US policy makers have a 'natural collaborator class' within Venezuela willing and able to become the active transmission belt of US policy and to serve US interests. As such, it is correct to refer to these Venezuelans as 'vassal classes'.

After the abject failures of Washington's vassal classes to directly seize power through a violent putsch and after having nearly self-destructed in a failed attempt to rule or ruin via the bosses' lockout, the US State Department oriented them toward a war of attrition. This involves intensified propaganda and perpetual harassment campaigns designed to erode the influence of the Chávez government over its mass popular base.

Imperial academic advisers, media experts and ideologues have proposed several lines of ideological-political warfare, duly adapted and incorporated by the Venezuelan 'vassal classes'. This exercise in so-called 'soft-power' (propaganda and social organizing) is meant to create optimal conditions for the eventual use of 'hard power' – military intervention, coup d'etat, terror, sabotage, regional war or, more likely, some combination of these tactics.[27] The predominance of

27 The phrase 'soft power' is credited to Harvard political science professor and long time US presidential adviser, Joseph Nye, who offers his expertise on empire management and the uses of imperial power (Nye, 2004).

'soft power' at one point in time does not preclude selective exercises of 'hard power' such as the recent Colombian cross-border military attack on Venezuela's ally Ecuador in March 2008. Soft power is not an end in itself; it is a means of accumulating forces and building the capacity to launch a violent frontal assault at the Venezuelan government's 'weakest moment'.

Imperial-vassal 'Soft Power' Campaign: Drugs, Human Rights and Terrorism

In the period between 2007-2008, the US and the Venezuelan elite attempted to discredit the Venezuelan government through the publication and dissemination of a report fabricated to paint Venezuela as a 'narco-centre'. A DEA (US Drug Enforcement Agency) report named Venezuela as a 'major transport point' and ignored the fact that, under Washington's key client in Latin America President Alvaro Uribe, Colombia is the major producer, processor and exporter of cocaine, is beyond bizarre. Blatant omissions are of little importance to the US State Department and the private Venezuelan mass media. The fact that Venezuela is successfully intercepting massive amounts of drugs from Colombia is of no importance. For US academic apologists of empire, lies at the service of destabilizing Chávez are a virtuous exercise in 'soft power'.[28]

The US, its vassal classes and the Washington-financed human rights groups have disseminated false charges of human rights abuses under Chávez, while ignoring US and Israeli Middle East genocidal practices and the Colombian government's long-standing campaigns of killing scores of trade unionists and hundreds of peasants each year Washington's attempt to label Venezuela as a supporter of 'terrorists' was resoundingly rejected by a United Nation's report issued in April 2008.[29] There is no evidence of systematic state sponsored human rights violations in Venezuela. There are significant human rights abuses by the opposition-backed big landowners, murdering over 200 landless rural workers. There are workplace abuses by numerous FEDECAMARAS-affiliated private employers.[30] It is precisely in response to capitalist violations of workers rights that Chávez decided to nationalize the steel plants. No doubt Washington will fail to properly 'acknowledge' these human rights advances on the part of Chávez.

The point of the 'human rights' charges is to reverse roles: Venezuela, the victim of US and vassal class' coups and assassinations is labelled a human rights abuser while the real executioners are portrayed as 'victims'. This is, of course, a common propaganda technique used by aggressor regimes and classes to justify the unilateral exercise of brutality and repression.

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28 Venezuelan drug interdiction has captured 360 tons of drugs between 2000-2007, according to the National Anti-Drug Office, January 2008.

29 On the Colombian State's mass terror, see the annual reports of the International Labour Organization, Via Campesino, Human Rights Watch and Amnesty International.

30 Interview with peasant leaders from the Frente Nacional Campesino Ezequiel Zamora, 27 February 2008.

In line with its global militarist-imperialist ideology, Washington and its Venezuelan vassals have charged the Venezuelan government with aiding and abetting 'terrorists', namely the FARC insurgency in Colombia. Neither the Bush or Uribe regimes have presented evidence of material aid to the FARC. As mentioned above, a UN review of the Washington-Uribe charges against the Chávez government have rejected every allegation. This fabrication is used to camouflage the fact that US Special Forces and the Colombian armed forces have been infiltrating armed paramilitary forces into Venezuela's poor neighbourhoods to establish footholds and block future barrio mobilizations defending Chávez.

The Hard Power Campaign: Economic Boycotts, Low Intensity Warfare and Colombia

Complementing the propaganda campaign, Washington has instrumentalized a major oil producer (Exxon-Mobil) to reject a negotiated compensation settlement, which would have left the US oil giant with lucrative minority shares in one of the world's biggest oil fields (the Orinoco oil fields). All the other European oil companies signed on to the new public-private oil contracts.[31]

When Exxon-Mobil demanded compensation, PDVSA made a generous offer, which was abruptly rejected. When PDVSA agreed to overseas arbitration, Exxon-Mobil abruptly secured court orders in the US, Amsterdam and Great Britain 'freezing' PDVSA overseas assets. A London court quickly threw out Exxon-Mobil's case. As with other countries' experiences, such as Cuba in 1960, Chile in 1971-1971 and Iran in 1953, the oil majors act as a political instrument of US foreign policy rather than as economic institutions respecting national sovereignty. In this case, Washington has used Exxon-Mobil as an instrument of psychological warfare – to heighten tensions and provide their local vassals with an 'incident' that they can manufacture into fear propaganda. The Venezuelan private media cite the threat of a US oil boycott and evoke a scenario of a collapsing economy causing starvation; they attribute this fantastic scene to the Chávez government's 'provocation'. By evoking this illusion of US power and Venezuelan impotence, they obfuscate the fact that the new oil contracts will add billions of dollars to the Venezuelan Treasury, which will benefit all Venezuelans.

US military strategy options have been severely limited by its prolonged and open-ended wars in Iraq and Afghanistan and its military-buildup threatening Iran. As a result, US military strategy toward Venezuela involves a $6 billion dollar military build-up of Colombia over the last eight years, including arms, training, combat advisers, Special Forces, mercenaries and logistics. US advisers encourage Colombian armed forces to engage in cross frontier operations including the kidnapping of Venezuelan citizens, armed assaults and paramilitary infiltration

31 Throughout the dispute between Exxon-Mobil and the PDVSA, the European press sided with their more conciliatory multinationals while the *Washington Post*, *NY Times* and *Wall Street Journal* engaged in vituperative attacks on Venezuela.

capped by the bombing in Ecuador of a campsite of a FARC negotiating team preparing a prisoner release. The US dual purpose of these low intensity military pressures is to probe Venezuela's response, its capacity for military mobilization, and to test the loyalties and allegiances of leading intelligence officials and officers in the Venezuelan military. The US has been involved in the infiltration of paramilitary and military operatives into Venezuela, exploiting the easy entrance through the border state of Zulia, the only state governed by the opposition, led by Governor Rosales.

The third component of the military strategy is 'to integrate' Venezuela's armed forces into a 'regional military command' proposed by Brazilian President Lula da Silva and endorsed by US Secretary of State Condeleeza Rice.[32] Within that framework, Washington could use its friendly and client generals to pressure Venezuela to accept US military-political hegemony disguised as 'regional' initiatives. Unfortunately for Washington, Brazil ruled out a US presence, at least for now.

The US military strategy toward Venezuela is highly dependent on the Colombian Army's defeat or containment of the guerrillas and the re-conquest of the vast rural areas under insurgent control. This would clear the way for Colombia's army to attack Venezuela. A military attack would depend crucially on a sharp political deterioration within Venezuela, based on the opposition gaining control of key states and municipal offices in the up-coming November elections. From advances in institutional positions Washington's vassals could undermine the popular national social, economic and neighbourhood programmes.

Only when the 'internal circumstances' of polarized disorder can create sufficient insecurity and undermine everyday production, consumption and transport can the US planners consider moving toward large-scale public confrontation and preparations for a military attack. The US military strategists envision the final phase of an air offensive-Special Forces intervention only when they can be assured of a large-scale Colombian intervention, an internal politico-military uprising and vacillating executive officials unwilling to exercise emergency powers and mass military mobilization. The US strategists require these stringent conditions because the current regime in Washington is politically isolated and discredited, the economy is in a deepening recession, and the budget deficit is ballooning especially its military expenditures in Iraq and Afghanistan. Only marginal extremists in the White House envision a direct military assault in the immediate future. But that could change to the degree that their vassals succeed in sowing domestic chaos and disorder.

32 While Condeleeza Rice gave her backing to the 'Regional Command', Lula immediately informed her that the US was not part of it.

Diplomatic and Economic Confrontation: Chávez versus Bush

Diplomatically and economically, Chávez has gained the upper hand over the Bush Administration. No country in Latin America supports Washington's proposals to intervene, boycott or exclude Venezuela from regional trade, investment or diplomatic forums. No country has broken diplomatic, economic or political relations with Caracas – nor has the US, despite strong moves in that direction by Bush in March 2008 (by labelling Venezuela a 'terrorist' country). Even Washington's principal vassal state, Colombia, shows no enthusiasm for shedding its $5 billion dollar food and oil trade with Venezuela to accommodate Bush. Chávez has successfully challenged US hegemony in the Caribbean. Through Petro-Caribe, numerous Caribbean and Central American states receive heavily subsidized oil and petroleum products from Venezuela, along with socioeconomic aid in exchange for a more favourable diplomatic policy toward Caracas. The US no longer has an automatic voting bloc in the region following its lead against a targeted country.

The Venezuelan government has successfully contributed to the demise of the US-led Free Trade for the Americas (ALCA) proposal and has substituted a new Latin American free trade agreement (ALBA) with at least six member states. Venezuela's proposal for a Latin American Bank of the South, to bypass the US-controlled IDB (BID) has been launched and has the backing of Brazil, Argentina and a majority of the other Latin American states.[33]

Washington's arms embargo, that included Spain, has been a failure, as Venezuela turned to arms purchases from Russia and elsewhere. Washington's effort to discourage foreign investment, especially in oil exploration is a complete failure, as China, Russia, Europe, Iran and every major oil producer has invested or is currently negotiating terms.

Despite vehement US opposition, Venezuela has developed a strategic complementary link with Cuba, exchanging subsidized oil and gas sales and large-scale investment for a vast health service contract covering Venezuela's needs in all poor neighbourhoods.[34] Venezuela has consolidated long-term finance and trade ties with Argentina through the purchase of Argentine bonds, which the latter has had difficulty selling given its conflict with the Paris Club.

Venezuela had significantly improved its image in Europe through Chávez' positive role in mediating the release of FARC prisoners while the US vassal Uribe regime is perceived in Europe as a militaristic, dehumanized narco-driven entity. US militarism and its economic crisis have led to a sharp decline in its image and prestige in Europe, while eroding its economic empire and domestic living

33 The Bank of the South is already financing development projects without the usual onerous conditions imposed by the World Bank and IMF.

34 In interviews with both Fidel Castro (10 February 2006 Havana) and with Hugo Chávez (2 March 2008) both confirm the long-term, large-scale ties, which bind them in a strategic alliance.

standards. Chávez' opposition to Bush's global war on terror and his calls for upholding human rights and social welfare has created a favourable international image among the poor of the Third World and within wide circles of public opinion elsewhere.

Vulnerability, Opportunities and Challenges

Presently and for the near future, Venezuela is vulnerable to attack on several fronts. It is experiencing several internal contradictions. Nevertheless it possesses strengths and great opportunities to advance the process of economic and social transformation. Key weaknesses can be located in the state, social economy and national security sectors.

In the sphere of politics, the basic issue is one of democratic representation, articulation and implementation of popular interests by elected and administrative officials. Too often one hears among the Chavista masses in public and private discussions that, 'We support President Chávez and his policies but …' and then follows a litany of criticism of local mayors, ministry officials, governors and Chávez's 'bad advisers'.[35] Some – not all – of the elected officials are running their campaign on the bases of traditional liberal clientele politics, which reward the few electoral faithful at the expense of the many. The key is to democratize the nomination process and not simply assume that the incumbent in office – no matter how incompetent or unpopular – should run for office again. Clearly the PSUV has to break free from the personality-based electoral politics and establish independent criteria, which respond to popular evaluations of incumbents and party candidates. Communal councils need to be empowered to evaluate, report and have a voice in judging inefficient ministries and administrative agencies which fail to provide adequate services. While we noticed improvements in the punctuality and preparation of more agency officials, there are still too many highly placed functionaries who fail to keep appointments, comply with their professional responsibilities or inform themselves about the subject matter of their ministries.[36] The dead hand of the reactionary past is present in the practices, personnel and paralysis of the existing administrative structures and worst of all influences some of the new Chavista appointments.

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35 The testimony of a militant female peasant leader at a meeting organized by the Ministry of Popular Power was very demonstrative: 'We support President Chávez; we defend President Chávez; but he has to replace those incompetent officials in the ministry who fail to provide us with credit so we can buy seed and fertilizer in time to plant our crops' (Ministry of Popular Power, 27 February 2008).

36 While we noticed improvements in the punctuality and preparation of more agency officials, there are still too many highly placed functionaries who fail to keep appointments, comply with their professional responsibilities or inform themselves about the subject matter of their ministries.

The tactic of creating new parallel agencies to overcome existing obstructionist bureaucracies will not work if the new administrators are ill prepared (arrive late or miss appointments, derelict in rectifying problems, fail to meet commitments etc.). Nothing irritates the Chavista masses more than to deal with officials who cannot fulfil their commitments in a reasonable time frame. This is the general source of mass discontent, political alienation and government vulnerability. In part the issue is one of incompetent personnel and, for the most part, the solution is structural – empowering popular power organizations to chastise and oust ineffective and corrupt officials.

In the economic sphere there is a need for a serious re-thinking of the entire strategy in several areas. In place of massive and largely wasted funding of small-scale cooperatives to be run by the poor with little or no productive, managerial or even basic bookkeeping skills, investment funds should be channelled into modern middle and large scale factories which combine skilled managers and workers as well as unskilled workers, producing goods which have high demand in the domestic (and future foreign) markets. The new public enterprise building 15,000 prefabricated houses is an example.

The second area of economic vulnerability is agriculture where the Agriculture Ministry has been a major failure in the development of food production (exemplified by the massive food imports), distribution networks and above all in accelerating the agrarian reform programme. If any ministry cost Chávez to lose the referendum, it was the Agriculture Ministry, which over nine years has failed to raise production, productivity and availability of food. The past policies of controlling or decontrolling prices, of subsidies and credits to the major big producers have been an abysmal failure. The reason is obvious: The big land-owner recipients of the Government's generous agricultural credits and grants are not investing in agricultural production, in raising cattle, purchasing new seeds, new machinery, new dairy animals. They are transferring Government funding into real estate, Government bonds, banking and speculative investment funds or overseas. This illegal misallocation of Government finance is abundantly evident in the gap between the high levels of government finance to the self-styled agricultural 'producers' and the meagre (or even negative) growth of production and productivity on the large estates.[37]

In April 2008, President Chávez recognized that fundamental changes in the use and ownership of productive land is the only way to control the use of government credit, loans and investment to ensure that the funds actually go into raising food

37 The anti-production behaviour of the big landowners and cattle barons has been the practice for decades. Back in the mid-1970s, President Carlos Andres Perez also pumped hundreds of millions into 'making Venezuela food self-sufficient' in a programme he called 'ploughing the oil wealth into agriculture' with the same miserable results as the present. The reason is clear. Many of the big landlords are the same people. The lessons from the past are very clear: As long as the present government tries to develop agriculture through the existing landowners it is doomed to repeat the failures of the past.

and not purchasing or investing in new luxury apartments or real estate complexes or buying Argentine bonds. In March and April 2008, Chávez, with the backing of the major peasant movements and workers in the food processing industry, expropriated 27 plantations, a meat processing chain, a dairy producer and a major food distributor. Now the challenge is to ensure that competent managers are appointed and resourceful worker-peasant councils are elected to ensure efficient operations, new investments and equitable rewards. What is abundantly clear is that Chávez has recognized that capitalist ownership even with government subsidies is incompatible with meeting the consumer needs of the Venezuelan people.

Thirdly, as mentioned above, inflation is eroding popular consumer power, fomenting wage demands by the unionized workers in the export sector while eroding wages and income for contingent and informal workers. The government has announced a decline in the rate of inflation in January-February 2008 (21 percent). This is a positive indication that urgent attention is being paid. The outrageous rates of profit in both consumer and capital goods industries has increased the circulation of excess money, while the lack of investment in raising productivity and production has weakened supply. The inflationary spiral is embedded in the structure of ownership of the major capitalist enterprises and no amount of regulation of profit margins will increase productivity. Chávez moves into 2008 to accelerate the socialist transformation through the nationalization of strategic industries.

The key is to invest large sums of public capital in a vast array of competitive public enterprises run with an entrepreneurial vision under worker-engineer control.[38] Relying on 'incentives' to private capitalists in order to increase productivity has run afoul in most instances because of their rentierist rather than entrepreneurial behaviour. When the government yields to one set of business complaints by offering incentives, it only results in a series of new excuses, blaming 'pricing', 'insecurity', 'inflation', and 'imports' for the lack of investment. Clearly counting on public-private cooperation is a failed policy.

The basis of the psychological malaise of business can be boiled down to one issue: They will not invest or produce even in order to profit if it means supporting the Chávez government and strengthening mass support via rising employment and workers' income. Interview with an oil executive from British Petroleum, Caracas, 6 March 2008.[39] They prefer to merely maintain their enterprises and raise prices in order to increase their profits.

In the social sphere, the government faces the problem of increasing political consciousness and above all encouraging the organizing of its mass supporters into cohesive, disciplined and class-conscious organizations. The government's socialist project depends on mass social organizations capable of advancing on the economic elite and cleaning the neighbourhoods of rightwing thugs, gangsters and paramilitary agents of the Venezuelan oligarchs and the Uribe regime.

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38 As to the policy dynamics of such as system see Petras and Veltmeyer (2007).

39 Interview with an oil executive from British Petroleum, Caracas, 6 March 2008.

The peasant movement, Ezequiel Zamora, is establishing the kind of political-educational cadre schools necessary to advance the agrarian reform. By pressuring the Agrarian Reform Institute, by occupying uncultivated land, by resisting landlord gunmen from Colombia, this emerging movement provides a small-scale model of social action that the government should promote and multiply on a national scale.

The principal obstacle is the counter-revolutionary role of the National Guard, led by General Arnaldo Carreño. He directed a raid on the peasant training and educational school with attack helicopters and 200 soldiers, arrested and beat educators and students and wrecked the institute. No official action against the military officers responsible for this heinous action was taken.[40] Apart from the reactionary and counter-revolutionary nature of this assault on one of the most progressive Chavista movements, it is indicative of the presence of a military sector committed to the big landlords and most likely aligned to the Colombian-US military 'golpistas'.

Labour legislation still lags. The new progressive social security law is tied up in Congress and/or buried by the dead hands of the Administration. Contingent (non-contracted, insecure) workers still predominate in key industries like oil, steel, aluminium, and manufacturing. The trade unions – both the pro-Chávez and the plethora of competing tendencies and self-proclaimed 'class unions' – are fragmented into a half dozen or more fractions, each attacking the other and incapable of organizing the vast majority (over 80 percent) of unorganized formal and informal workers. The result has been the relative immobilization of important sectors of the working class faced with big national challenges, such as the 12/2 Referendum, the Colombian-US military threats and the struggle to extend the agrarian reform, public enterprises and social security.

The government's relative neglect of the organized and unorganized manufacturing workers has changed dramatically for the better, beginning in the first half of 2008. Chávez' forceful intervention in the steel (Techint Sidor), cement (CEMEX), meatpacking and sugar industries has led to massive outpouring of worker support. A certain dialectic has unfolded, in which militant worker conflicts and strikes against intransigent, 'irresponsible and disrespectful' employers lead Chávez to intervene on their behalf, which in turn activates the spread and depth of worker and trade union support for his.[41]

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40 'El Frente Nacional Campesino Ezequiel Zamora es atacado por militares' (22 March 2008 report from the FNCEZ).

41 An interesting and revealing episode along these lines regards the Mexican-owned Cemex, whose Venezuelian affiliate was expropriated (with compensation) mid-August before in the context of a project to nationalize the sector. In the following week, on 21 August 2008, Chávez characterized as 'irresponsible' and 'disrespectful' the owners and managers of Cemex, in the following terms: 'The vegetation is completely covered with dust because Cemex did not invest in the technology to eliminate it,' and this because of that 'capitalist evil' ('maldición capitalista') – more profit. To these owners and managers,

This dialectic of reinforced mutual support has led to meetings of inter-sector union leaders and militants from the transport, metallurgy, food processing and related industries. In response to increased trade union organized support, Chávez has raised the prospect of nationalizing banks and the rest of the food production and distribution chain. Much depends upon the unification and mobilization of the trade union leaders and their capacity to overcome their sectarian and personalist divisions and turn toward organizing the unorganized contingent and informal workers.

The sectarianism of the ultra-leftist sects and their supporters among a few trade union bureaucrats leads them to see Chávez and his government and trade union supporters as 'the main enemy' leading them to strike for exorbitant pay increases. They organize street blockades to provoke 'repression' and then call for 'worker solidarity'. Most of the time they have had little success as most workers ignore their calls for 'solidarity'. The unification of pro-Chávez union leaders around the current nationalizations and the growth of a powerful unified workers' trade union movement will isolate the sects and limit their role. A unified working class movement could accelerate the struggle for social transformation of industry. It would strengthen the national defence of the transformative process in times of danger.

National Security Threats

The multi-country surveys reveal that most people in almost all countries think the US is the biggest threat to world peace. This is especially the case in Venezuela, a Caribbean country which has already been subject to a US-backed and orchestrated coup attempt, a employers and executives lockout of the vital petroleum industry, a US-financed recall-referendum, an international campaign to block the sale of defensive weapons and spare parts accompanied by a massive sustained military build-up of Colombia, its surrogate in the region. The violent efforts of the US to overthrow President Chávez have a long and ugly pedigree in the Caribbean and Central America. Over the past half century the US has directly invaded or attacked Guatemala, Panama, Cuba, the Dominican Republic, Grenada, Nicaragua and El Salvador; it organized death squads and counter-revolutionary surrogate armies in Guatemala, El Salvador, Nicaragua and Honduras, which murdered nearly 300,000 people (Petras and Morley, 1995).

The US assault against Venezuela includes many of the strategies applied in its previous murderous interventions. Like in Guatemala, it has and continues to bribe, cajole and subvert individuals in the Venezuelan military and among National Guard officers. Their plan is to use Venezuelan military officials to organize a coup, collaborate with Colombian cross border infiltrators and to encourage defections to the pro-US opposition. Like in Central American, US operatives

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he adds, 'it does not does not matter if they contaminate people, the beach, vegetation, animals, everything' all in the process of 'pillaging the country's riches'.

have organized death-squad killers to infiltrate the Venezuelan countryside to attack peasant movements pursuing land reform and to consolidate support among big landowners.

As it did in Nicaragua, the US is combining support for the systematic sabotage of the economy by the business elite to foment discontent while financing opposition electoral campaigns to exploit the unstable economic circumstances. Like its economic blockade of Cuba, the US has organized a de facto arms and parts embargo as well as an international 'freeze' on Venezuela's PDVSA overseas assets through international court processes initiated by Exxon-Mobil. Colombia's cross-border bombing of Ecuador is as much a 'test' of Venezuela's preparedness as it is an overt aggression against Ecuador's President Correa's nationalist government's cancellation of the strategic US military base in Manta (Ecuador).

Venezuela had taken several measures to counter the US-Colombian-Venezuelan Fifth Column threats to national security. Following the coup Chávez ousted several hundred military officers involved in the overthrow and promoted officers loyal to the constitution. Unfortunately, the new group included several pro-US and anti-leftist officers open to CIA bribes, one of whom even became the Minister of Defense before he was 'retired' and became a virulent spokesperson against Chávezs' transformative referendum.[42] Worse still, Chávez amnestied the military and civilian coupmakers and economic 'lockout' saboteurs after they had served only a small fraction of their sentences – to the utter shock and dismay of the mass of popular forces that shouldered the burden of their violent coup and economic sabotage and who were not consulted.

Venezuela has purchased some light weapons (100,000 rifles and machine guns) and a dozen submarines from Russia and helicopters from Brazil to counter Colombia's $6 billion dollar light and heavy arms build-up. Clearly that is a step forward, but it is still inadequate given the massive arms deficit between the two countries. Venezuela needs to rapidly build up its ground to air defences, modernize its fighter jets and naval fleet, upgrade its airborne battalions and vastly improve its ground forces capacity to engage in jungle and ground fighting. Colombia's army, after 45 years of counter-insurgency, has the training and experience lacking in Venezuela. Venezuela has taken positive steps toward organizing a mass popular militia – but the advances have a very mixed record, as training and enlistment lag far below expectations for lack of political organization and military leadership.

While Chávez has taken important steps to strengthen border defences, the same cannot be said about internal defences. In particular, several generals in the National Guard have been more aggressively dislodging peasant land occupiers than in hunting down and arresting landlord-financed gunmen who have murdered 200 peasant activists and land reform beneficiaries. Extensive interviews with peasant leaders and activists indicate active collaboration between high military

42 General Baduel was always a virulent anti-communist who is said to have received a seven-figure payoff and threats of exposure of unseemly personal revelations if he didn't 'turn' against Chávez.

officers and right-wing cattle barons, calling into question the political loyalties of rural-based Guard garrisons.

There is an urgent need to accelerate the expropriation of the big estates and to arm and train peasant militias to counteract the complicity of the National Guard or negligence in the face of landlord-sponsored violence. There are thousands of peasants ready and willing to enlist in militias because they have a direct stake in defending their families, comrades and their land from the ongoing paramilitary attacks.

Today the most immediate and enduring threat to internal security takes the form of a blend between a mass of hardened Venezuelan criminal gangs and narco-paramilitary infiltrators from Colombia, which are terrorizing the populace in low income neighbourhoods. Police investigations, arrests and government prosecution are inadequate, incompetent, and corrupt and occasionally point to complicity. To this day the infamous broad daylight assassination of the respected Attorney General Danilo Anderson has not been solved and the current Attorney General has essentially buried the investigation and, even more importantly, buried the investigation into the economic elite networks planning future coups that Anderson was carrying out at the time of his murder.

Anderson was the chief investigator of the forces behind the April 2002 failed coup, the economic sabotage and a series of political assassinations. Venezuelans close to the case state that Anderson had compiled extensive documentation and testimony implicating top opposition political, economic and media figures and some influential figures in the Chávez administration. With his death, the investigations came to an end, no new arrests were made and those already arrested were subsequently granted amnesties. Some of Anderson's top suspects are now operating in strategic sectors of the economy. There are two hypotheses: Either sheer incompetence within the office of the new Attorney General, the Ministry of Justice and related agencies of government has derailed the investigation; or there is political complicity on the part of high officials to prevent undermining the present socialization strategy. In either case, the weakness of law enforcement, especially with regard to a dangerous capitalist class operating an extensive network supporting the violent overthrow of the elected government, opens the door to a re-play of another coup. Indeed the amnesty of the elite coup-makers and economic saboteurs and the case of Danilo Anderson weighs heavily on the minds of militant Venezuelans who see it as an example of the continued impunity of the elite.

Factory and anti-crime 'neighbourhood watches' and defence militias are of the utmost importance given the rising internal and external national security threats and crime wave. With the greater cooperation of communal councils, sweeps of local gangs is a top priority. Neighbourhood police and militia stations must saturate the poor communities. Large-scale lighting should be established to make streets and sidewalks of the ranchos safer. The war against drug traffic must delve into their bourgeois collaborators, bankers and real estate operators who launder money and use illegal funds to finance opposition activities. Petty and youth delinquents should be sentenced to vocational training programmes and

supervised rural and community service. Large-scale illegal financial transactions must be prosecuted by the confiscation of bank accounts and property. National and internal security is the *sine quo non* of maintaining any political order dedicated to transforming the socioeconomic system.

On 9 April 2008 President Chávez took a major step toward reducing crime, strengthening community-police relations and improving the security of the people by passing a National Police Law through presidential law decree. Under the new law, a new national revolutionary police of the people will be established 'demolishing the old repressive police model with education, conscience, social organization and prevention'. He contrasted the past capitalist police who abused the poor with the new communal police who will be close to the citizens and dialogue oriented. To that end the newly formed communal councils will be encouraged to join and help select a new type of police based on rigorous selection process and on their willingness to live and work with the neighbourhood. The PSUV and the communal councils will become the backbone of creating the new political solidarity with the newly trained police from the communities. Chávez' recognition of the security issue in all its political and personal dimensions and his pursuit of democratic and egalitarian approach highlights his commitment to both maintaining law and order and advancing the revolutionary process (Suggett, 2008).

Advances Towards Socialist Transformation

Venezuela today possesses the most advantageous economic, political and social conditions for a socialist transformation in recent history despite the US military threats, its administrative weaknesses and political institutional limitations.

Economically, Venezuela's economy is booming at 9 percent growth, world prices for exports are at record levels (with oil at over $100 a barrel), it has immense energy reserves, $35 billion dollars in foreign exchange reserves and it is diversifying its overseas markets, although much too slow for its own security (Weisbrot, 2008). With the introduction in April 2008 of an excess profit tax which will take 50 percent of all revenues over $70 dollars a barrel and an additional 60 percent of all revenues over $100 a barrel, several billion dollars in additional income will swell the funds for financing the nationalization of all strategic sectors of the economy.

Venezuela benefits from a multi-polar economic world eager to purchase and invest in the country. Venezuela is in the best possible condition to upgrade the petroleum industry and manufacture dozens of downstream petrochemical products from plastics to fertilizers – if public investment is efficiently and rationally planned and implemented. Venezuela has over a million productive landless workers and small farmers ready and willing to put the vast tracts of oligarch-owned under-utilized lands to work and put Venezuela on the road to food self-sufficiency – if not an agro-exporting country. Millions more hardworking Colombian refugee-peasants are eager to work the land along side

their Venezuelan counterparts. There is no shortage of fertile land, farmers or investment capital. What is needed is the political will to organize expropriations, cultivation and distribution.

Politically, Chávez provides a dynamic leadership backed by legislative and executive power, capable of mobilizing the vast majority of the urban and rural poor, organized and unorganized workers and youth. The majority of the military and the new academy graduates have (at least up to now) backed the government's programmes and resisted the bribes and enticements of US agents. New Bolivarian-socialist military instructors and curricula and the expulsion of US military 'missions' will strengthen the democratic link between the military and the popular government.

The intelligence and counter-intelligence services have detected some subversive plots but remain the weakest link both in terms of information collecting, direct action against US-Colombian infiltration, detecting new coup plans and providing detailed documentation to expose US-Colombian assassination teams. Clearly housecleaning of dubious and incompetent elements in the intelligence agencies is in order. New training and recruitment processes are proceeding, rather slowly and have to demonstrate competence.

The Chávez regime retains the support of over 65 percent of the electorate and nearly 50 percent of the people were in favour of an overtly socialist agenda in the referendum of 2 December 2007. If the communal councils take off, and the militias gain substance and organization and if the PSUV develops mass roots and the popular nationalization accelerates, the government could consolidate its mass support into a formidable organized force to secure a huge majority in a new referendum and to counter the US-backed counter-revolution.

Much will depend on the government's deepening and extending its social-economic transformation – increasing new public housing from 40,000 to 100,000 a year; reducing the informal labour sector to single digits and encouraging the trade unions to organize the 80 percent of the unorganized labourforce into class unions with the help of new labour legislation.

Given the availability of mass social support, given the high export earnings, given the positive social changes, which have occurred, the objective basis for the successful organization of a powerful pro-socialist, pro-Chávez movement exists today.

The challenge is the subjective factor: The shortages of well trained cadres, political education linked to local organizing, the elaboration of a socialist political-ideological framework and the elimination of personality-based liberal patronage officials in leading administrative and party offices. Within the mass Chavista base, the struggle for a socialist consciousness is the central challenge in Venezuela today.

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Chapter 7
Back to the Future or Fastforward to the Past?

From 1995 to 2002 Latin America was in the throes of a shifting crisis, both economic and political. A mild economic recovery from a decade of zero growth, based in part on a dramatic resurgence of direct foreign investment and domestic capital formation in the first half of the 1990s, had given way to another period of volatility, sluggish growth and recurrent crisis (Rodríguez, 2001). Mexico and Brazil were both seriously infected with what many commentators saw as the 'Asian flu', a financial virus that undermined and devastated a number of economies across the world, first in Mexico (in 1995) and then in South East Asia (in 1997) and Brazil in 1998 and Russia in 1998). In Argentina, the economy hit a major snag in the reefs of neoliberal reform but the crisis came not from a financial meltdown, but as in Peru a few years earlier as well as Ecuador, as the direct consequence of macroeconomics of radical neoliberal reform – in Argentina engineered by Carlos Menem.

In the context of a deepening production crisis and a spreading albeit recurrent financial crisis, and a return to a region-wide pattern of exceedingly sluggish or low economic growth, ECLAC predicted another decade 'lost to development' and many on the left (and the right) wrote and talked morosely (or alternatively with false hope) about the 'decline' or 'demise' of neoliberalism (Stiglitz, 2008). On the left there was widespread hope and expectation regarding, even a premature celebration of, the end of neoliberalism. On the centre and the right the crisis of neoliberalism was matter of grave concern.

At the political level, there has been no dearth of responses to this crisis. The architects and defenders of the 'new' (albeit tattered and in place for two decades) world order of neoliberal globalization rallied in defensive of neoliberalism in the form of a Post-Washington Consensus on the need for serious reform – to make neoliberalism more inclusive and democratic, and thereby presumably more governable and sustainable. The left responded to the crisis by taking the struggle against neoliberalism from the countryside to the cities and going global, and provoking or supporting regime change in the process. The forces of resistance were mobilized in a generally leftward direction; heads of state and the government were deposed in Bolivia, Ecuador and Argentina; and anti-neoliberal regimes were formed throughout the region, placing neoliberalism on the defensive if not in the crosshairs of fundamental change.

However, that was then (from 1998 to 2002) and this is now – five years into a sustained economic recovery and booming exports, weakened US hegemony

with a resulting political 'opening' for the left, the demobilization of the popular (indigenous, peasant and unemployed workers) movement, a restoration of political stability and the organized power of the political right, and a renewed neoliberalism.

So, question 1 – what accounts for the recovery of capitalist development and neoliberalism, as well as booming exports, the political demobilization of popular movements and the restoration of political stability? Question 2 – What are the policy and political dynamics of global integration and large-scale flows of private investment? How do these dynamics relate to policy dynamics of regional integration and the organizational and political dynamics of the labour movement? Question 3 – What accounts for the decline of US influence and the demise of ALCA even as neoliberalism deepens and free market policies increase the contribution of foreign trade to GNP? Question 4 – What accounts for the abrupt changes in but a few years (2003-2008) from what had appeared as a terminal crisis of neoliberalism and massive popular upheavals to a process of economic recovery, dynamic growth and rightwing resurgence under the aegis of the centre-left?

More specifically, question 5 – what accounts for the change in the driving force of the economy from finance and industry to primary sector exports, the corresponding shift in the axis of economic power, and the marginalization of urban social movements and middle class reformers? Question 6 – How was it that class struggle politics retreated and gave way to a return of patronage politics, backed by many of the same formerly militant social movement leaders? Question 7 – Why have new vertical elite coalitions replaced the politics of horizontal intra-class alliances, and how is it that dissent has given way to co-optation? Question 8 – Under what conditions did policies of easy credit and middle class consumerism blunt class conflict and why was it that these policies were not challenged by traditional trade union leaders?

Question 9 – How was Cuba pushed into the neoliberal world order? What were the outcomes of reforms instituted by the Cuban government in the 1990s in response to the production crisis of the Special Period? What is the meaning and what are the implications of the more recent reforms instituted under the leadership of Raúl Castro? Why have unusually favourable external conditions in the world market not translated into a genuinely popular or socialist movement across the region? And conversely, question 10 – what were the *objective* (economically given) and *subjective* (ideological and politically constituted) conditions that gave rise to a socialist project in Venezuela? What are the prospects for socialism in Venezuela and elsewhere in the region, and what forms could it take?

The Primarization of Economic Growth: Implications for Development

ECLAC's 2007 annual survey report on Latin America contained an unusual note of optimism, even exhilaration. In the light (or shadow perhaps) of two decades of sluggish to no growth the current period of resurgent and sustained economic

growth from 2003 to 2008 is seen as 'extraordinary' and not restricted to quantitative measures (ECLAC, 2007, 9-10). The most important qualitative factor noted by ECLAC was the strong improvement in the (net barter) terms of trade for Latin America as a whole and particularly in South America – Argentina, Brazil, Chile, Colombia, Peru and Venezuela. Furthermore ECLAC anticipates that the current boom is shaping-up to be the longest and strongest expansion for a long time, well over thirty years, permitting per capita income in the region to rise on average by 20 percent in the 2003-2008 period – a trend with significant development implications (ECLAC, 2007b, 9). As noted by Helbling, Mercer-Blackman and Cheng (2008), the primary commodities boom 'contrasts noticeably with the 1980s and 1990s, when most commodity prices were on a downward trend'.[1]

Commodity markets in the new global context have been booming. Prices of many commodities reached record highs in 2008 despite credit market turbulence, the slowing down of economic growth in many major advanced economics and the historically unprecedented convergence of three types of global crisis embodied in the historically unprecedented coincidence and confluence of three broad-ranging and deep 'crises – financial, energy and food' (Romanet, 2008).

Not that there is any mystery to these developments. Clearly they cannot be attributed to the neoliberal policies, which produced the conditions of this multiple crisis. Nor does ECLAC, or do others, attribute the economic turnaround in the economic fortunes of Latin America to the Post-Washington Consensus – on policies designed to institute a more inclusive form of neoliberalism. The turnaround and economic recovery, according to ECLAC (and for that matter some economists at the World Bank and even some at the IMF),[2] is the result of changes in external

1 'From a multilateral perspective, policy efforts should focus on ensuring the efficient functioning of market forces at the global level because markets for many commodities are highly integrated' Thomas Helbling, Valerie Mercer-Blackman, and Kevin Cheng, *Finance and Development*, March 2008. The authors in their concern for their policy implications focus particularly on biofuels on the intersection of energy market and global food production – regarding oil prices and biofuel production. 'In the markets for major food crops, policies that ensure efficient and realistic use of biofuels and discourage protectionist elements will help reduce the prices of corn and edible oil. Current policies in both the US and the EU would have to be adjusted substantially, given large subsidies and the preference for domestic production even if it is relatively inefficient. For example, broadly accepted estimates suggest that Brazilian ethanol derived from sugarcane is less costly to produce (in energy-equivalent terms) than either US gasoline or corn-based ethanol. Also, sugarcane ethanol produces 91 percent fewer greenhouse gas emissions per kilometre travelled than does gasoline, whereas the environmental benefits of corn- and wheat-based ethanol relative to gasoline are small. Therefore, a better policy would be to allow free trade in biofuels while incorporating emissions costs into prices of all fuels. In addition, there is a legitimate role for governments of all countries to fund promising research in second-generation biofuels, given that they serve as a public good'.

2 On this see Thomas Helbling, Valerie Mercer-Blackman, and Kevin Cheng, *Finance and Development*, March 2008.

conditions brought about by the insertion of China into the world economy – by the growing demand of China and India (Chindia, as some have it) for minerals, sources of energy and the raw materials to fuel its expanding industries and the consumer wants of a rapidly expanding middle class.

The irony of this development is that it has precipitated a fundamental (albeit possibly short-lived) change in the structure of world trade, certainly in its conditions, which, according to ECLAC economists (and structuralist theory advanced in the late 1950s), had always been disadvantageous for countries – and Latin America generally – on the periphery of world capitalism. Hitherto, the international exchange of raw materials/primary commodities for manufactured goods – the export of commodities with little to no value-added – invariably generated 'development' in the manufacturing-export countries at the 'centre' of the system and 'underdevelopment' on the periphery. But the same structure in the new context (2003-2008) has had an entirely different outcome.

For one thing, rather than resulting in a deterioration in the terms of trade it has produced a significant improvement in these terms (see Table 1.4), with a dramatic increase in export revenues and a stabilizing improvement in the balance of payments situation (and international currency reserves) of those countries in the region able to take advantage of the resulting opportunities. Unlike the Asian NICs, most of Latin America continues to export primary commodities while importing manufactured goods – a pattern (and structure) reinforced by the neoliberal policies of the past two decades. However, with the turnaround in the conditions of international trade (and associated development theory) associated with China's entry into the world economy, a number of Latin American economies, especially in South America, have begun to experience a turnaround in their fortunes, with growth rates exceeding 5 percent a year over the past five years.

Political and Policy Implications of the Growth Dynamics

To answer the questions raised at the beginning of the book and the opening of this concluding chapter, we need to understand the political dynamics of economic growth – the economics and politics of its distribution; i.e., what groups and classes received and actually benefited from the primary commodities boom – from the resource rents collected from the export of these commodities and export duties. In theory there are two major mechanisms for this resource allocation: the market, when allowed to operate freely, and the state, which is most generally defined in terms of the political function in the 'authoritative allocation of [society's] productive resources'. As for the institutional mechanisms and political dynamics of this allocation they are most often explained by reference to two mutually-exclusive theories. Theorists in the liberal tradition see politics more or less as a 'relatively efficient mechanism to aggregate the preferences of the majority of individuals' while others, such as the authors of this book, conceptualize politics alternatively as 'an arena in which well-organized powerful groups successfully

exert political pressure on policymakers in order to appropriate rents'.[3] In other words, the question is whether societies should be understood as well-functioning systems that express and respond to the interest of all citizens or whether the policy or political decision-making process can best be seen as responding to the influence or power of particular vested interests or class groupings.

The Latin American evidence on this question is clear. In the regimes that we have examined, particularly in Argentina and Bolivia – that can be seen respectively as representative of Mercosur or Southern Cone capitalism and Andean capitalism – not only are powerful groups in the 'private sector' in a position to appropriate the lion's share of resource rents, and to profit from the higher prices of primary commodities on the world market – owning and controlling as they do the commanding heights of the economy – but they have been the prime beneficiaries of government policies. For one thing, both regimes have taken pains to pay down the external debt to a more manageable level and to settle accounts with the IMF, hitherto the quarterback of capitalism's global financial plays. Neither regime has taken advantage of increased public sector revenues to effect or substantively change the social structures of income distribution and social welfare. Implemented measures that can be characterized as welfare or developmental populism have been so limited in scope, and their social impacts so minimal where not perverse, that neither regime can properly be defined as welfarist, developmental or populist – certainly not leftist.

One of two likely scenarios is likely to arise out of the current primary commodities boom. One would essentially be a return to the 19th century – a development pattern of resource and export dependence with an agro-mineral rentierist and oligopolistic elite in control of production and able to resist any restructuring initiatives of the state, with the state itself subordinated to the profit-making interests of this elite as well as the foreign-owned resource-intensive corporations. Another scenario would mean breaking with the historically established pattern of economic dependence – a strategy where ground rents extracted from primary commodity exports form the basis of a new development path: an industrial policy based on forward and backward linkages to the national economy and that is designed to overcome the enclave effects of

3 This debate goes back to the tension existing in the early rational choice literature between works like Anthony Downs' *An Economic Theory of Democracy* (1957) and Mancur Olson's *Logic of Collective Action* (1965). The first book asked what the equilibrium outcome would be of democratic voting among rational individuals whose preferences could be represented in one relevant dimension, finding that they would reproduce the preferences of the median voter; the second one asked what incentives individuals have to organize and mobilize politically in order to attempt to have an effect on policies. These are two radically different questions that capture different basic visions of what the political process is. The modern literature on political economy has largely reproduced this initial split, divided among researchers that use extensions of the median voter theorem to understand politics and those that rely on models of interest groups/political influence or class power models.

agro-mineral export structures; a policy of upward wage adjustments designed to expand the domestic market; a developmental and welfare approach to human resource capacity building – to invest in human resource development and social infrastructure (education, health and welfare); a policy of redistributive growth (to direct some market-generated income into socially inclusive social programmes designed to improve access to productive assets and existing opportunities for self-advancement); and a policy of productive investment and technological conversion – to invest in national innovation systems, moving the economy from raw-material and cheap labour export dependence into a more productive and diversified structure based on productivity growth.

As to which scenario is in fact unfolding or likely to do so is essentially a political, rather than economic, question as to whether resource rents are productively invested, used to finance social and economic development. This would presuppose that the primary commodities boom signals a fundamental change in the structure of world trade and not just a short-term cyclical phenomenon. And it would require a fundamental change in national policy, gearing it to the popular as well as the private sector, and breaking the power of the rentierist oligarchy. This scenario above all would require the state to assume control if not ownership of society's strategic resources – to renationalize them.

The alternative scenario is for the state to give way to the foreign and national conglomerates and the *grupos de poder nacional*, allowing them to resist any restructuring initiatives by the government and continue to repatriate their profits and transfer out of the country the ground and resource rents collected from their property. The presumption here would be that the primary commodities boom is short-term or cyclical and that therefore maximum advantage should be taken of the income 'opportunities' provided by the likely short-lived boom – a rentierist dream.

Pragmatic Neoliberalism and the Resurgence of the Political Right

A major paradox of Latin American political development in the new context is that conditions that were particularly favourable for the left gave rise instead to the resurgence of the political right. Rarely if ever were conditions so favourable for a movement to the left. The right was in disarray, its political project in tatters, without political support and indeed surrounded by widespread and growing opposition. Neoliberalism was widely regarded and treated not only as undesirable and politically unpalatable but as economically dysfunctional, unable to deliver on its basic promise of economic growth and general prosperity after a short painful transition. What neoliberalism had delivered instead was a growing divide between the rich and the poor, an interminable period of continuing pain and economic failure, and the generation of wealth enjoyed by the few at the expense (with exceedingly high social costs) of the many. Even supporters and former advocates of neoliberalism talked openly and wrote profusely of the need to 'move beyond

neoliberalism' or to totally revamp it – not just to give structural adjustment a social dimension (adding to it a new social policy) and give the entire process a more 'human face' but to replace neoliberalism with an entirely new policy.

In addition, the forces of resistance against neoliberalism, particularly in the countryside, had advanced to the point that a frontal attack against the state, the bulwark of neoliberalism, was in the offing in many places in different countries. The neoliberal state was in a state of near crisis and neoliberal politicians were on the defensive. People in both the popular and middle class sectors of civil society were actively mobilized around the demand for change and in search for an alternative to neoliberalism. All that was required was state power – and the fiscal and financial wherewithal to change the existing economic and social structure. This is where the primary commodities boom came in.

The Best of Times, the Worst of Times: Latin America in the New Millennium

The primary commodities boom provided the financial resources, which if invested productively had the potential for changing the structure of the economy – promoting a process of productive transformation and economic development. But there is no evidence that this has happened – that the ground rents collected by the government and the profits made by the capitalist enterprises in the 'private sector' have been invested productively, used to advance real development. In fact, the economists who have examined the issue – that is, who have looked beyond the growth statistics to the underlying development implications (a more diversified production base, productive transformation, etc.) that they might have generated – have not found any 'serious attempt to use the commodities boom to engineer a transformation' or any evidence of economic development likely to be sustained beyond the primary commodities boom (Cypher, 2008: 29). For example, the level of public investment and capital outlays over the recent years of economic growth (2002-2007) have been surprisingly low. While government revenues rose by an average of 4.75 percent, somewhat less than the average growth rate, public investment expenditures increased by only 5.1 percent versus 5.8 percent from 1995 to 1999. The share of fiscal resources allocated to public investment is well below levels in Africa and Asia,[4] and is projected to remain below that prevailing a decade ago. Nor has social spending, which in part can be viewed as an investment in human capital development, increased in the region – at least relative to the GDP (Clements, Faircloth and Verhoeven, 2007: 10).

According to this IMF study, social spending in the region by this measure surged by about two percentage points of GDP through 2002 but then was reversed,

4 According to Clements, Faircloth and Verhoeven (2007: 14), the decline in the rate of public investment in Latin America relative to other regions is largely the result of the privatizations in the 1990s.

falling slightly as a ratio of the GDP. Also the allocation of fiscal resources to wages and salaries, which in theory might translate into development of the domestic market, has remained low even in countries dominated by centre-left regimes – well below allocations in the second half of the last decade. The increased fiscal revenues were largely accounted for by measures designed to reassure foreign investors and settle accounts with the IMF – balancing payments on the capital and current accounts, boosting international currency reserves and paying down the external debt, which, from an IMF perspective remains too high (over 50 percent of GDP on average).

These findings begs several questions raised at the beginning of the book. What are the policy dynamics of private capital flows and global integration at the expense of labour and regional integration? What accounts for the abrupt change from what appeared the terminal crisis of neoliberalism to centre-left stabilization, dynamic economic recovery and the resurgence of rightist power? What accounts for the shift in the axis of growth from finance and industry to primary sector exports as the driving force of the economy and the marginalization of the new urban social movements? Why has class struggle politics declined with the resurgence of patronage politics, backed and supported by many of the same formerly militant social movement leaders? How was it that a continuation of neoliberal macroeconomic policies over the past five years blunted class conflict? Why have unusually favourable external conditions in the world market not translated into a genuinely popular movement?

The answer to these and other such questions are not too hard to find. One part of the answer surely is denationalization of key sectors and the commanding heights of the major national economies in the region – the economic power and political influence of the multinational corporations, investors and banks and corporations. Two waves of privatizations, one in the 1980s and a second in the 1990s, brought about an economic structure that was to a significant extent denationalized. Another part of the answer can be found in the nature of the capitalist class in these countries, and the relation of the oligarchic agro-exporting elites and the conglomerates to the governments in the region – both the ostensibly centre-left regimes of Argentina, Brazil and Chile, and the more overtly neoliberal regimes of Colombia, Peru and Mexico.

The propensity of this class to convert profits and income gains into capital, and to invest this capital productively, is relatively or very low (compared for example, to the capitalist class in Asia). Even so, some observers and analysts have argued that the commodities boom has had the effect of strongly raising the level of investment and thus presumably advancing the capitalist development of the economy. For example, according to ECLAC (2007, Table A-5), from a base of 100 in 2000 the export index climbed to 138 in 2006 while the rate of fixed capital formation did not lag far behind at 129. However, as noted by Cypher (2008: 32), in a review of these data and ECLAC's analysis, even though the rate of growth of investment in recent years actually has outpaced the growth of supply (120 in 2006) ECLAC offered no analysis as to where the fixed capital has gone.

However, as Cypher notes, given the extreme inequality of income distribution in Latin America, the likelihood that capital formation would occur where desperately needed, in areas such as infrastructure, public investment in schools and teacher training, technological development and advanced plant and equipment, is low. The more likely locus of investment, Cypher argues, is in luxury housing, hotels, shopping centres and so on, which goes a long way to explaining the fact that in the nations with the fastest rate of growth in investment – Chile, Colombia and Venezuela – construction is so dynamic a sector of the domestic economy.

For Latin America as a whole, the percentage of GDP devoted to gross fixed capital formation in 2006 was 20 – higher than the 18 percent level registered in 1990 but well below the 27.6 percent level achieved in 1980 under the ISI regime (ECLAC 1997, Table A-4) and far below levels common in Asia. The problem here, according to Cypher (2008: 30), is that the commodities boom 'has created an absorption problem for national savings', a problem reflected in, or leading to, a propensity to export savings (about 1.5 percent of GDP that is saved is … sent abroad'), the accumulation of massive reserves of foreign currency ('From 2002 to 2006 reserves [rose] from roughly $165 billion to $321 billion'), a rising long-term income elasticity of demand for imports (the ratio stood at 1.2 in 1983 … [and] in 2003 at 2.6) and the relative absence of any real development or productive transformation, and 'little money left over for government investments'.[5]

Whether these and other such problems are the result of an 'absorption problem' vis-à-vis ground rents and windfall profits (Cypher's analysis), or a problem of regime type, class politics and government policy (our own view), we can safely conclude that the income gains from primary commodities exports have been either 'exported' (repatriated to the centres of capital accumulation and corporate power) or highly concentrated, with negligible benefits accruing to workers. In fact, an unweighted index of real average wages in the formal sector for Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela shows decidedly un-encouraging results: Using 2000 as the base year, ECLAC's data yield a cumulative increase in average wages of 0.46 percent by 2006 (ECLAC 2007, Table A-28). That is, workers have received next to 'nothing' from the commodities boom. Even worse results would follow from a *weighted* index, since Brazil's workers had suffered a pay cut of 12 percent.

The class bias to the income and other 'development' benefits derived from the primary commodities boom is a fair conclusion drawn by Cypher from ECLAC

5 Cypher illustrates the 'absorption problem' in the disposition of World Bank funds by several small towns in the Peruvian Andes in receipt of 'some of the commodities boom surpluses under the … Bank's programme of decentralization and empowerment'. A reporter visiting these towns found that in all but one case they 'had no intelligent use for the surpluses'. Instead – relying here on a point made by Moffit (2006: 1-2) – 'monuments were built, soccer stadiums were constructed, sports arenas were repaired, while 30 percent of the $800 million windfall was simply reposing in bank accounts since the regional leaders had no idea how to spend the funds'.

data and by us from our own case studies of Argentina and Bolivia. Other studies, including several by us on Brazil, Ecuador and Mexico (Petras and Veltmeyer, 2003, 2005) lead to the same conclusion. The Bolivarian Republic of Venezuela provides one of the very few examples of a policy-based reversal of a regional trend towards increasing social inequalities. It is true that the official poverty rate has been reduced in a number of countries, notably Chile and Brazil, as a result of special anti-poverty social programmes. But this poverty reduction occurred in a context of increasing social inequalities in the distribution of wealth and total income. Nevertheless, in Venezuela, poverty-targeted social programmes implemented from 2002 to 2006 did result in a simultaneous decrease of social inequality *and* a reduction in the rates of poverty and indigence (by 18.4 and 12.3 percentage points, respectively). This is an exception to the rule, however. The difference here and elsewhere in Latin America is because in Venezuela macroeconomic and social policies were not as counterproductive as they normally are; that is, the 'new social policy' in Venezuela does not run counter to the neo- or socio-liberal macroeconomic policies that are everywhere in place and biased towards the rich and the well to do.

How can we explain the facts that lead to these conclusions? Cypher, for one, attributes them to the economic dynamics of primarization – the incapacity of the economy to 'absorb' the additional income inputs; i.e., to convert the resource rents and export tax income into capital, together with a 'growing import elasticity'. But it seems to us that the explanation lies elsewhere – in the power relation of the political regime to the social class and agro-export elite behind it and benefiting from its policies. First, because the tripartite sectoral structure of the economy (public, private, popular) this class is in a position to appropriate directly a large of the revenue gains from the primary commodities boom in the form of profit. Not all elements of the 'private sector' have profited, however. Profits, like asset ownership, are highly concentrated and it is the multinationals and the big agribusiness elite that monopolize the trade that have hugely profited and appropriated the benefits. Hence the struggle of the 'ruralistas', the so-called or apparent 'small producers' in Argentina for a share of the proceeds.

Second, because of the power relation between the government (regardless of regime type) and the ruling class, together with the privatizations of previous decades, the government share of resource rents and the revenues collected in the export tax regime were invested, spent and distributed by the government in the economic interest of the economically dominant ruling class.

One might be forgiven to expect a different, broader and more socially-inclusive distribution of fiscal resources under the ostensibly left-of-centre regimes than those, such as Colombia, Peru and Mexico, that are overtly neoliberal. However, our analysis suggests that this is generally not the case. Excluding Venezuela and Cuba, the share of fiscal resources dedicated to social programmes and populist measures turns out to be virtually the same in the centre-left regimes as in the more overtly neoliberal regimes.

Although we did not make systematic comparison of the policies of these regimes with the centre-left populist or pragmatic neoliberal regimes it is evident that there is little to distinguish them at the levels of policy and fiscal spending First, poverty targeted social spending is a matter of Post-Washington Consensus policy for all of the neoliberal regimes in the region, whether overtly neoliberal as in Mexico and Peru, pragmatic neoliberal as in Brazil and Chile or welfare-populist as in Bolivia and even in Venezuela.

Second, fiscal resources are only a small part of the revenues and income generated in the production and export process – 17 percent on average, ranging from a high of 35 percent in Brazil (close to the OECD average) to a low of 15 percent in Mexico (Santiso and Zoido, 2008). And thirdly, only a relatively small percentage of fiscal revenues in general, and the additional resources collected in the 'new times', are used to finance social development.

In Venezuela and Cuba a substantive part of additional resource rents indeed have been directed towards more socially-inclusive or universal social programmes, and another perhaps larger part has been ploughed back into the economy – invested more or less productively. However, this is also an exception to the rule. The policy dynamics of the centre-left regimes in Argentina and Bolivia – and there is good reason or enough evidence to allow us to generalize from these regimes to several other ostensibly centre-left regimes such as Lula in Brazil – are not oriented towards the popular sectors, notwithstanding the 'new (poverty targeted) social policy' and the generalized populist social spending programmes instituted by these regimes or the subsidies instituted to moderate the cost to the poor of basic staples, cooking fuel and public transportation. In Bolivia there is a decidedly populist tinge to the cheques handed over to the municipalities and 'public works' such as schools and clinics announced on the presidential entourage as it traverses the country to demonstrate that 'Evo cumple'.[6] But these programmes are entirely financed by Cuba and Venezuela, without drawing on treasury funds.[7]

Generally social and poverty alleviation programmes account for a relatively small part of fiscal expenditures and have absorbed a relatively small part of the additional fiscal revenues captured in the primary commodities boom. It is true that the workers in the formal economy did benefit from several wage adjustments made from 2003 to 2008. According to ECLAC (2007b), wages overall in the region increased by 20 percent in this period. However, the wage gains were more nominal than real. For one thing, the share of labour in national income in this period remained virtually the same as under the neoliberal regimes in conditions of crisis and slow growth. For another, inflation eroded most of the gains.

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6 La Paz, 27 July (ABI). Between March 2006 and July 2008 the populist programme 'Bolivia cambia, Evo cumple' funded 1,877 projects with an 'investment' of $726 million.

7 As for 'Yo, sí puedo', the illiteracy eradication campaign funded by Cuba, the government on 26 July, Moncado Day in Cuba, announced that the programme had achieved coverage of 70 percent of the illiterate population, putting Bolivia but a few steps from being able to declare the country free of illiteracy (La Paz, 26 July, ABI).

Thus, a more systematic and comparative study of this issue is called for. But even so, a cursory examination of available statistics, and our own analytical probes in the area, suggest that the primary commodities boom has changed neither the structure of the capital-labour relation in the countries ruled by the centre-left or economic conditions for the diverse groups and classes in the popular sector. As for the correlation of class forces – a possible and often identified 'independent' variable in the politics of income and wealth distribution – if anything it has become less favourable to the working and other classes in the popular sector. This more than any other factor, together with the class character and ideological orientation of the regime, explains the facts that surround the political issues of asset and income redistribution and social welfare. It is here that we can locate the answer to the question as to who has benefited, and who has lost – who has had 'the best of times' and who 'the worst of times'.

Capital Accumulation and Economic Dependence in New Times

Another conclusion from our analytical probes into the political economy of production in the post-crisis period of capitalist development in Latin America is that a large part of the surplus generated in the process has been 'exported' in the form of repatriated profit; that the multinational capital has been a major beneficiary of the new economic growth in the region. In this connection, Cypher (2008) notes that in the midst of the commodities boom net resources transfers (net capital inflows minus the net payment of interest, profit and net use of IMF financing) have steadily shifted from a positive level of $29 billion in 1998 to -$41 billion in 2002 and -$88 billion in 2006 (ECLAC 20076, Table A-15).[8] As the data regarding the mining industry and other primary extractive activities – particularly in the case of Chile – demonstrate 'the greater part of this surge in outbound funds pertains to the near absence of taxation on *hard* commodity production in the Southern Cone.

The data on long-term capital flows, analyzed by Cypher (2008), reveal an interesting and seemingly paradoxical result: 'net' foreign direct investment in Latin America dropped from a high of $81 billion in 1999 to only $32 billion in 2006 (ECLAC 2007, Table A-1). But this statistic needs to be understood in terms of the outflow/inflow dynamics. In 2006, roughly $40 billion of out-bound FDI was made by the 'grupos de poder', the Big Economic Groups in the region, 'revealing the fact', according to Cypher (2008), 'that the economic structure to

8 Perhaps the most dramatic case of outbound transfers can be found in the calculation made by Orlando Caputo and Graciela Galarce regarding the dramatic increase in role of the foreign-owned (non-state) copper-mining corporations in Chile: in 2006 the official growth figures for GDP was 4 percent. However, adjustment for the transference of $25B (US) of net revenues by the mining companies, however, resulted in a *negative* growth rate of the Gross *National* Product of 3.3 percent (Caputo and Galarce, 2006).

a considerable degree was unable to absorb the profits accumulated by national firms', or to restate the same fact more precisely, 'a lot of the profits made in the primary commodities boom is used not invested productively within the region, used to fuel economic development.' Rather, together with the enormous profits repatriated by the multinational firms operating in the region and dominating key sectors of export activity, these financial resources (potential sources of capital) are 'exported' or 'invested' unproductively (deposited in overseas bank accounts).[9]

The point here is that rather than leading to a process of productive transformation the primary commodities boom has strengthened the economic and political position of the most unproductive sectors of Latin America's dominant class – the rentierist landholding agro-mineral exporting oligarchs. It has also strengthened elements of the political elite connected to this class, leading to the recomposition and resurgence of the political right.

The Policy Dynamics and Social Impacts of the Primary Commodities Boom: Where Did the Money Go?

The additional or surplus revenues derived by the state from primary commodity exports could in theory be used to finance a process of productive transformation and economic development. This would require the conversion of these revenues into capital and its productive investment. Another possible use of these revenues might have been to maintain a favourable balance on international payments and fiscal expenditures as well as shoring up national accounts international currency reserves, or, as Lula did in Brazil, to set up a budget surplus account as a hedge against a future downturn, and even a sovereign wealth fund as a hedge against inflation. A third use of surplus fiscal resources in the new times of a primary commodity boom is in the direction of expanding the production and export of minerals, fossil and biofuel and food products. Public revenue expenditures in this direction – and all of the governments at issue in the primary commodity boom, excepting Cuba, are implicated – include incentive payments (exploration, grants, tax exemptions or deferments, etc.) and diverse forms of direct and indirect producer and corporate subsidies. The beneficiaries of these expenditures would be – and have been – the agribusiness multinationals and the agro-mineral exporting elites and 'big economic groups'.

A fourth possible destination point or outlet for windfall fiscal revenues is or could have been salary and wage adjustments for public sector workers.

9 As Cypher notes, 'the bulk of the above factors, relationships and results tend to be omitted in conventional accounts of Latin America's economic performance'. What one is likely to find instead is that 'economic growth is very high (5.6 percent in 2006), Latin America has a large *positive* balance on trade in its current account ($47 billion in 2006), export growth is strong (18 percent increase in 2006), and external debt has dropped from 41 percent of GDP in 1999 to 22 percent in 2006.'

And a fifth use of surplus fiscal revenues, one that might have been expected from a centre-left regime but did not materialize anywhere except in Venezuela (Cuba is exempted from consideration here), is increased expenditures on social programmes – programmes that provide workers a social wage as well as build social infrastructure and human resource development, not to mention poverty alleviation via income transfers and the provision of basic services.

A systematic analysis if the social and sectoral composition of fiscal revenue expenditures was not conducted. However, available data and our exploratory probes in this area allow us to conclude that public revenue expenditures have been and are very class biased, favouring the well-to do and the rich, and particularly that class with agro-mineral exporting or business interests. Rather than working to change the highly regressive and inequitable structure of wealth and income distribution by tilting fiscal revenues expenditures to the left the so-called or self-defined 'leftist' regimes generally were not in the least, or only superficially 'progressive'. This undoubtedly relates to the class base and ideological character of these misnamed regimes.

Changing with the Times – The Rise and Fall of the Social Movements

The timing, location, duration and composition of the social movements in Latin America and their relations with centre-left and leftist regimes vary enormously over the past two decades. During the 1960s and early 1970s social movements brought to power several civilian and military left and centre-left regimes in Chile, Argentina, Bolivia, Peru, Ecuador and Venezuela leading to structural changes (nationalization of mines, petrol and banks, agrarian reforms and income redistribution). Nevertheless the overthrow of these regimes by US-backed ruling class coups led to the precipitous collapse of the social movements. From the late 1970s to the early nineties, mass social movements developed in Central American linked to left governments (Nicaragua) and political organizations. These advances however were detoured into the 'centrist' electoral turn of the political organizations and the Sandinista regime, leading to the weakening of the social movements and the end of radical-reformist impulses.

In the 1990s and into the beginnings of a new millennium, under conditions of neoliberal globalization and structural adjustment to a new world order, a wave of mass movements based on the activism of landless workers, peasants and indigenous communities hit Latin America. With the exception of Bolivia these movements did not have the backing or receive the support of the private sector trade unions. These movements overthrew neoliberal electoral regimes and, more important, called into question the entire political institutional framework of party-parliamentary politics as well as the neoliberal policies pursued by the governments all over Latin America. Even so in the absence in the many cases of an effective political leadership or a conception of political representation and a programme of transformation, they succumbed to the machinations of the current

wave of centre-left political parties and regimes. The result was the retreat of some movements (the MST in Brazil), the serious decline of some (CONAIE in Ecuador) and regime co-optation of others (the Cocaleros in Bolivia).

Major uprisings and the defenestration of several heads of the neoliberal state took place, but apart from Venezuela no process of structural transformations was put in motion or consummated. In fact, the emergence of a series of centre-left regimes has been the major obstacle and most effective force in undermining the burgeoning movements. In this regard witness experiences in Argentina, Brazil, Ecuador, and especially Bolivia. The centre-left regimes demobilized the masses, emptied the streets of autonomy movements and facilitated the return of the 'far right' in the political arena and even in the streets. Today in Bolivia, it is the right rather than the left that threatens to paralyze the country with mass strikes, lockouts and barricades, and which assaults representatives to the Constitutional Assembly with impunity. In contrast, Morales and García Linera engage in sterile polemics and empty rhetorical threats all the while signing away Bolivia's natural resources to multinationals from four continents.

With the relative decline of the rural indigenous movements, the mass base of a new wave of social movements is overwhelmingly based on the urban trade unions, supported by low-paid public employees, in large part because of the disparity between high economic growth (and profits) and stagnant wages. The marginalization of the formerly dynamic urban slum, Indigenous and peasant movements of the earlier period (1990-2003) – at least in the case of Argentina, Brazil, Mexico, Ecuador and Bolivia – by and large is a product in part of asymmetrical alliances formed with nominally left-of-centre regimes and in part the boom in international commodity prices. In this context, the alliance tentatively formed between the lower middle class and the urban unemployed in countries such as Argentina and Bolivia broke down and the movement subsided.

The rise and relative decline of the rural peasant-indigenous movements, their linkage and subsequent subordination to the centre-left regimes formed in a context of widespread opposition to neoliberalism raises fundamental questions about their political independence and social autonomy and the existence of specific peasant class-consciousness. The seeming political independence and social autonomy of the 1990s was replaced in the 2000s by subordination to political patronage and clientele relations, co-optation of leaders and even political transactions with local landlords and traditional politicians.

The relation between social movement leaders and centre-left electoral politicians was reversed: if in opposition the movement leaders led, dominated or shared power with the centre-left politicos, when the latter came to power the relation was invariably reversed; the politicians dictated the parameters of political and social action and the social movement leaders adapted.

The new trade union led movements emerging in various countries (Peru and Brazil, for example) are advancing to the degree that they have refused to ally themselves with the neoliberal 'centre-left' regimes. The exceptions are the movements that cooperate with the democratic socialist government formed by

Hugo Chávez. These movements have made breakthroughs in terms of growth of membership even without a clear political perspective for the future.

The rapid rise and decline of the cooperative movement and the formation of the new unified Venezuelan United Socialist Party (PSUV) has pointed to fundamental weaknesses in the organized social and political base of the Chávez government and its strategy of socialist transformations. Billions were spent on tens of thousands of small-scale producer co-ops organized by the unskilled and marginalized urban poor, lacking organizational skills and operating in a capitalist economy. In many cases, the funds were stolen or locals went bankrupt. Five million recruits were signed up to the PSUV with little or any concern with programmatic knowledge or even adherence to simple principles. While urban barrio councils, independent peasant movements and special literacy and health brigades have flourished; quantitative gains in movements have yet to be translated into consequential class-conscious social movements.

Several factors were responsible the rise and relative decline of the social movements in Venezuela. First and foremost is the lack of political cadres linked to mass struggles and capable of linking local discontent to political power. Secondly, the Chavista state apparatus is largely inoperative, inefficient and plagued by hostile holdovers of previous regimes or latter-day Chavistas who are hostile to mass participation. Thirdly, the government oscillates between subsidizing and promoting the private banking, agricultural, commercial and manufacturing elite and urging its followers to pursue social revolution. The result was a hostile capitalist class indisposed to productively invest and a mass of Chávez-supporting urban poor unable to take control over the levers of economic power and frustrated by the pressing problems of surviving from day to day. Venezuela brings into sharp relief the restraints (and portents of failure) of operating within the political institutional confines of a capitalist democracy.

The precipitous decline in activity and influence of the urban 'slum movements' in Argentina and Bolivia, particularly in Buenos Aires and El Alto is clear. This is a good example of the lack of a national political programme and leadership. These movements were largely born of economic crisis and highly repressive oligarchic regimes. With the subsequent ascent of centre-left regimes and the co-option of neighbourhood leaders, these urban movements lost their dynamism and have been reduced to everyday struggle for local improvements. Elsewhere the urban slum dwellers have continued to be controlled by traditional patronage-based municipal politicians at the local or national level, as in the case in Brazil through the Workers Party-state apparatus and its 'poverty programmes'.

The latest emerging wave of movements and mass struggles tends to focus much more on immediate economic demands than the older movements, which fought for structural changes up to and including the overthrow of neoliberal regimes. The factory occupation and land occupation movements of the 1990s and early 2000s have subsided or virtually disappeared, except perhaps for Venezuela. The concern of the emerging movements is to attack the US-sponsored free trade agreements and the neoliberal policies of the pro-imperial regimes. The major issue working

to unify the emerging movements of public employees, trade unionist and peasant farmers is the struggle against the US-designed and Washington-imposed free trade agreements and against the agro-mineral export elites.

One of the most salient factors leading to the demise of urban radicalism and the rise of economism within the trade unions and the neighbourhood associations is the high rate of growth in the 'primary producer' (agro-mineral-energy exporting) countries. One general outcome of this growth has been a decline of unemployment and an increase in government spending. These conditions, combined with the co-optation by middle class regimes, has focused movement the concern and attention of the movement leaders towards getting a bigger share of the super-profits and revenues of the centre-left regimes.

Whether the free trade issue takes the form of 'globalization' by the NGOs or anti-imperialism by the trade unionists, this struggle has put Chávez's proposal for Latin American integration at the centre of a debate within the mass movements. The international integration issue has become a complex struggle between classes and states with Calderón of Mexico, Bachelet of Chile, Uribe of Colombia and Garcia of Peru heading up the supporters of free trade within the US Empire. Chávez of Venezuela, Raúl Castro of Cuba, and Rafael Correa of Ecuador lead the way toward greater Latin American integration. Brazil, Argentina and Bolivia have rhetorically criticized the US free trade integration-subordination scheme, but in practice they pursue more limited forms of bilateral integration within Mercosur and Washington.

Our analysis rejects the euphoric impressionistic accounts of Latin America as undergoing some kind of sweeping comprehensive radicalization based on an alliance of centre-left regimes and the social movements. These accounts are based on isolated facts taken out of context. These impressionistic generalizations are usually out of date before they are written down. While they attract ill-informed readers and massage progressive political emotions, they do not provide an accurate account of the complex dynamics given to the region or more specifically the changing strength of the movements and their relations to neoliberal centre-left regimes.

Advocates of combining electoral institutional politics (EIP) with social movement-street politics have failed to study several dimensions of this relationship, in addition to ignoring the practical experiences throughout Latin America of the past 50 years. The question is: *why do social movements consistently lose out to EIP once the centre-left takes over a regime*? The answer, we conclude, is to be found in the shift in power relations. When the centre-left electoralists are out of power, their main power resource is a large mass of mobilized people, which strengthens the position of the movements relative to the electoral politicians. Once the latter control the regime, the budget, public expenditures and promotions and public appointments, the centre-left reverse the relation: the power resources are skewed in favour of the electoral politicians and the social movement leaders become dependent on the politicos.

Once ensconced in the executive and legislative branches of the state, centre-left politicians quickly adapt to the institutional norms of these capitalist institutions and their political practices. The *modus operandi* involves constant engagement with the business and banking elite, bourgeois political leaders, power brokers – all of which draw the centre-left politicians closer to the capitalist class and distance them from the mass movements. The salaries, perks of office, unofficial and official expense accounts, secretaries and staff, chauffeurs and gardeners, mistresses or gigolos … create a 'new class consciousness' in which the upwardly mobile lower middle class, centre-left electoral politicians take as their social referent the upper middle class. What the advocates of 'combined struggle' ignore is the highly important process of 're-socialization' of ex-insurgent politicians into the style and substance of capitalist politics and the dilution of any working class or peasant-Indian loyalties.

The recent political history of the results of social movements adopting electoral strategies, working within the framework of institutional politics and aligning with Centre-left regimes has demonstrated, in almost every case, few positive reforms and numerous regressive outcomes. While elections may provide a forum to denounce and mobilize pressure on centre-left regimes, it deflects the popular movements from relying on their most effective instruments of social reforms, namely direct action: land occupations, general strikes and urban uprisings.

Having interviewed and discussed with Latin American social movement leaders and militants-turned-left and centre-left electoral politicians for decades (from the 1960s to 2008), in countries as diverse as Chile, Brazil, Uruguay, the Dominican Republic, Argentina, Bolivia, Peru, Ecuador and El Salvador, our principal conclusion, supported by the analysis made in this book, is that their divorce from the programmes and goals of the movements is not a 'moral flaw' ('a betrayal'). Rather, it is a result of the institutional nature of electoral politics and capitalist representative institutions, their internal 're-socialization' processes and their external linkage with the ruling class.

No doubt, corruption and moral decay frequently accompany adaptation to parliamentary norms and transactions. But the underlying cause for political immorality is their integration into the capitalist milieu with its emphasis on upward mobility and deference to the wielders of economic power. Under circumstance of adaptation to the right and business elite, centre-left politicians tend to resort to demagogy, patronage and corruption to retain their 'popular electoral base'. It is the rare and exceptional social movement leader of a government party who resigns his post in disagreement because of 'his' government's political transgressions (broken promises to the popular movements). It is even more rare to see a centre-left politician return to the factory, field, school or hospital, trade union and movement to renew the class struggle. Parliamentary politics creates powerful spiritual and material inducements, status and income that inhibit the re-radicalization of ex-movement parliamentarians.

The Retreat of the Left and Resurgence of the Right

In the 1990s forces of resistance against neoliberalism had formed and advanced throughout the region, particularly in the countryside on the basis of organizations of impoverished and semi-proletarianized 'peasants' and in some contexts indigenous communities. By the end of the decade these forces for change had moved to the cities, forming all sorts of alliances with groups and organizations in 'civil society' and in the form of insurrections and uprisings, marches and demonstrations, and the tactic of roadblocks had mobilized and advanced to the point of forcing halt to the neoliberal agenda. In Bolivia these forces in the early years of the new millennium produced what at the time and in retrospect could be viewed as a quasi-revolutionary situation, needing very little to spark a resurrection that could result in a revolutionary assault on state power.

But this was not to be. By 2005 the wave of organized resistance by and large had ebbed, and the revolutionary left had retreated, defeated by the very forces to which the resistance had turned in the search for substantive change and an alternative to neoliberal globalization. The unwitting or witting architect of this retreat were the centre-left elements of the political class that had taken the path of least resistance against the citadels of neoliberal policy: electoral politics in the bid for state power and a no-power (non-political) approach towards local development, a pathway out of rural poverty opened up by the international development community and joined by many on the left.

In the early years of the new millennium in a context of crisis and opposition to neoliberalism that peaked in 2000-2001 (and economic growth had reached a ten-year low point) the political left moved to the centre in the electoral context of regime change – the installation of regime after regime committed rhetorically to oppose neoliberalism but in practice supportive of it in a modified form as prescribed by the Post-Washington Consensus. 'The rest', as they say, 'is history' – in parts retold in this book.

This history is revealing of various political developments but none as startling as the resurgence of the political right under conditions (a yawning social divide and disenchantment with neoliberalism, the capture of state power by the centre-left, windfall additions to fiscal revenues) that might have been expected to consolidate a shift of the political axis to the left. In Venezuela the political right made a bid for state power, to depose Chávez from state power with US support, but lost – thanks to the urban shantytown poor that rallied to Chávez's defence. In Peru and Mexico, however, the political right defeated by one means or the other the left in the electoral arena. In Brazil the 'left' had come to power in the form of Lula and the Workers' Party but the 'right' in the form of an electoral-government and production alliance with sectors in the rural economy carved out some political space from which it could add pressure on the government. In Paraguay the 'left' came into power in the form of an anti-neoliberal priest representing a centre-left electoral and production alliance only to consolidate a turn to neoliberalism in power.

In Argentina and Bolivia, the two cases studied and analyzed in this book, the centre-left assumed or achieved state power only to weaken the left and strengthen the right in its diverse 'regional' redoubts and its concern for a flagging but revived neoliberalism. The 'production alliance' with agro-mineral exporting groups and agribusiness interests sought by the centre-left and successfully engineered in Brazil failed to materialize, putting the left very much on the defensive and consolidating a return to class power on the political right. The centre-left in this context misread the political situation in the 'new times'. Trading-off insurgency on the left for a producer and political alliance on the right in these cases backfired. With rising incomes from primary commodity exports, and a change in the correlation of class forces, the economic groupings on the right saw no reason for having to share their windfall profits and were no longer disposed to compromise or even enter into a political alliance with the centre-left.

On Latin American Capitalism and Socialism

> The Revolution is the sense of the historic moment; it is to change all that must be changed; it is equality and freedom in their plenitude; it means that we must be treated, and to treat others, as human beings; it is to emancipate ourselves by our own powers; it is to challenge the powerful dominant forces within the nation and abroad; it is to defend our values at whatever price and sacrifice; it is modesty, disinterestedness, altruism, solidarity and heroism; it means not having recourse to lies or thrashing ethical principles; it is the deep conviction that there is no force in the world capable of crushing the power of truth and ideas. Revolution is unity; it is independence; it is to fight for the materialization of our dreams for Cuba and the world; it is the foundation of our patriotism, our socialism and our internationalism. (Fidel Castro, Havana, 1 May 2000)

Socialism, like capitalism, means one thing in theory and another in practice. In theory – and also in practice in the Latin American context – the difference between capitalism and socialism can be defined by reference to four basic principles:

Public versus Private Ownership of the Means of Production

This issue has to with the form and the degree to which production is socialized, or at a practical as opposed to theoretical level, the scope, size and weight – and the role – of the state (or the public sector) in the economy. In this connection, Cuba has the most socialized economy in the region, with a relatively small 'private sector' that is restricted to small-scale non-capitalist enterprise in areas where a domestic market is allowed to operate under a reform instituted under Fidel Castro's leadership in a context of deep crisis, and, at the level of foreign investment and capitalist enterprise in the form of joint ventures with the state in certain strategic areas such a tourism and the co-production and marketing of

strategic primary commodities. This policy was reluctantly introduced by Fidel as a desperate attempt to save the economy and the entire socialist project from imminent collapse.

In the Cuban Revolution of 1959 the very first action was to socialize the vast bulk of production, particularly the large sugar plantations and latifundistas that concentrated most of the island's land for agricultural production and that came under state ownership. In 1968, a Soviet model 'revolutionary offensive' resulted in the further socialization of industrial production, extending the abolition of private ownership and enterprise even to the small business sector in retail sales, sales and services, cafes and restaurants, and manufacturing. Overnight, 50,000 small private (but non-capitalist) enterprises were shut down and with them what remained of the domestic market. Rather than regulating the market, the government opted for closing it down and replacing it with the Soviet model of centralized planning. Thus all private enterprise was suppressed, together with capitalism – a mistake made by many socialist regimes at the time and corrected later, very belatedly, it turns out (and only under duress), by the Cuban leadership.

One of the most significant and far-reaching reforms instituted in the current context and new times, under the leadership of Raúl Castro, was precisely to restore full usufruct rights of private production, even the contracting of labour, to any and all individuals or families able to use the land productively.[10] The significance of this particular reform lies in the greater productivity of small-scale private enterprise in this area of production, and the anticipation that a combination of diverse forms of property in agricultural production would go a long way towards solving the existing bottleneck in food production and the enormous trade deficit in food (rising world food prices will cost the country an additional $1 billion this year).[11] State farms have proved to be quite inefficient, and close to half of all state-owned arable land is not in productive use at all (in part the result of the closure of the sugar farms). In the expectation of a significant improvement in productivity, Raúl, in an address to parliament, insisted that 'all forms of property of production (state, cooperative, private)[12] can coexist harmoniously, none is antagonistic with socialism'.

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10 The law decree, issued in January but in July not yet published in the official Gazette, that gives to private farmers full usufruct rights to land for agricultural production (via a ten-year renewable lease) restricts the size of the landholding to 99 acres (40 hectares). This restriction is clearly designed to prevent the conversion of small-scale private enterprise into capitalist enterprise. The new law also opened up a change in possible social relations of agricultural production. A law decree of 1993 restructed or prevented the hiring of agricultural labour, converting all farmers and rural workers into cooperavists.

11 According to ONE (the Oficina Nacional de Estadísticas) only 45 percent of the country's arable land is in productive use and a half of the 'tierra ociosa' is under state ownership. Individual family or cooperatively organized 'peasant' production uses around a third of the land but accounts for the vast bulk of local food production.

12 At the moment Cuba has production organizations such as the Basic Units of Cooperative Production (UBPC), where the farmers own the means of production but not

As for the other countries in the region, all of which are fundamentally capitalist at the level of production – that is, based on private property in the means of production – the ownership issue materializes in the policy of nationalization (public ownership) pursued aggressively by the development state in the 1960s and the policy of privatization (private ownership) pursued with equal vigour in the 1980s and 1990s under the aegis of the 'new economic model' neoliberal globalization. By 1970 as much as 35 percent of the production apparatus in Argentina, Brazil, Chile and Mexico was state-owned, but thirty years later, in 2000, two decades into the neoliberal era and on the threshold of a new millennium, the share of the state in production was cut in half, more in some cases; the public sector accounted for 10.9 percent (Brazil) to 18.5 percent (Chile) of the GNP. In the case of Bolivia, the World Bank in its 1999 'public expenditures review' notes that 'mostly on its own initiative, Bolivia staged a comprehensive structural reform programme largely retiring from direct involvement in production and assuming the role of regulator in most public services. The major reforms since 1992 … include divestiture of public enterprises, which shrank their participation in the economy from 25 percent of GDP in 1995 to 8 percent in 1998, and is expected to be less than 2 percent by the end of 1999.'

Only in the strategic sector of oil export production in Mexico, Ecuador and Venezuela (and copper in Chile) did the state retain a substantive ownership stake in production, although more recently, in the 'new times' of a primary commodity boom, has the policy of privatization been reverted, primarily in Venezuela but also in some limited form in Bolivia, where the Morales–García regime has renationalized the resource-base of oil and gas production, and fundamental natural resources such as water, allowing for joint ventures with foreign capital but retaining public ownership rights.

In Venezuela the government has renationalized key sectors or firms in the economy, including oil projects, telecommunications, steel and cement plants, and, most recently and significantly the country's main bank, Banco de Venezuela, forcing its Spanish owners, Grupo Santander, that had purchased it in 1996, to sell it back to the government in the national interest of all Venezuelans. What this means for the possible transition towards socialism, which would require a much more fundamental restructuring of the economy and society, is not at all clear. At the moment, in Venezuela's current context of a primary commodities boom and confrontation with US imperialism it is a matter of nationalizing rather than socializing production.

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the land. Private producers join the National Association of Small Farmers (ANAP), the Cooperatives for Credit and Services (CCS), a union of landowners who share resources and revenue, and the Cooperatives for Agro Production (CPA), gatherings of farmers who benefited from the first and second laws of agrarian reform, which gave them land ownership. Later on, by joining the cooperatives, they ceded that ownership.

The Relative Scope and Workings of the Market and the State

The issue of the state versus the market in the responsibility for (or, in scientific language, function of) allocating resources across the system is essentially a matter of determining 'who (what group or class) gets what?' In capitalist systems generally, this 'function' is ascribed largely to the market, the workings of which results in what economists defines a 'primary' distribution (market allocation) of wealth and income based on system-maintaining or functional 'returns' to different 'factors of production' – profit on investments, wages to labour, rents to property. The state is assigned a complementary but clearly subordinate role in this regard in regulating the workings of the market in the common or public interest, and by reallocating (a secondary distribution or redistribution based on an 'authoritative allocation') some of the market-generated income across the social structure – directing it into social and development programmes geared to the public interest … benefiting society as a whole.

In socialist systems the state assumes this responsibility – the function of authoritatively allocating to each sector an appropriate return. In practice, some economies are 'mixed' in the sense that both the state and the market co-determine the distribution of the social product, allocating appropriate returns to different 'factors of production' (the market) and redistributing a quantum of market-generated incomes for the goal of social development and welfare. Again, Cuba is socialist by this criterion in terms of the predominant role of the state, whereas every other society is predominantly market-based and oriented, with the state assuming a very subordinate role in the allocation of wealth and the distribution of a 'coefficient of well-being' to various social groups of individuals.

If, as in the EU, the regulatory and allocative functions of the state are enlarged so as to substantively effect the functioning of the market, it is possible of speak of a 'mixed economy' or a 'welfare state', which is capitalist in its basic form and dynamics but socialist in some respects, particularly in its commitment to meeting the basic needs of the population and to ensure a substantial measure of 'equality' in the distribution of the social product. In practical terms, the size of the public sector, and its weight in contributions to the GNP, can be used as a measure of this commitment (see the discussion below). In these terms again it is Cuba that emerges as the most substantive socialist system.

Equality versus Equity in the Distribution of the Social Product and Public Services

The third issue in distinguishing capitalism from socialism relates to equality in the distribution of the social product (as wealth and income), a fundamental socialist organizing principle – as fundamental to socialism as the idea of 'freedom' ('freedom to choose', that is) is to capitalism. The social condition that corresponds to this principle is *egalitarianism.* In capitalist systems governed by the principle of 'freedom', the corresponding social condition is 'equity',

a condition in which individuals are 'free to choose and have an 'equality of opportunity' (World Bank, 2001).

As with equality vis-à-vis socialism, the degree to which equity is achieved under capitalism is both structurally and politically determined. Within capitalism it is generally constrained by two structural factors: (i) the degree to which the economic structure of the system is 'open' or 'closed' to individuals – includes or excludes them according to their social class or the social groups that they happen to belong to; and (ii) the capacity of particular individuals to take advantage of existing opportunities – a 'structural factor' in that this capacity is not variable at the level of the individual but is also conditioned by social group or class membership. A major limitation of the ostensibly socially inclusive policies pursued under the Post-Washington Consensus is the avoidance of any significant 'structural' change because of its *political* import (the need to confront organized economic power). Thus, policies of social inclusion generally focus on government services, and on capacitating the poor to take advantage of any opportunities that they might find – mostly, as we saw in Chapter 3, in outmigration and labour, and the latter primarily unwaged in the informal sector.

As with the policy-targetted conditions of social development (education, health) in terms of these principles (equality, equity), Cuba represents a substantial degree of institionalization and accomplishment compared with all other countries in the region – and this notwithstanding the negative impact of the market-friendly reforms instituted throughout the region in the vortex of a major production crisis. But in the current post-crisis context social equality and equity in Cuba have emerged as major issues of public policy, particularly as regards income and the pay-scale system that sets the basic parameters of employment income.

Interestingly (and somewhat disturbingly) the issue is defined by Raúl Castro not as a matter of 'equality' (the right to substantively equal incomes) but a human or legal rights issue – of 'opportunity' ('equity' in the development parlance). 'Socialism,' he points out, 'means social justice and equality but an equality of rights, of opportunities, not of incomes'. Equality, he adds, 'does not mean egalitarianism'. In other words, income is not *an issue of* social equality (egalitarianism) but of *equity*, which is defined by Raúl as it is in the development discourse of the World Bank – as an *equality of opportunity* rather than an *equality of condition*. This differs from the issues of health, education and welfare, which are regarded and treated as matters not just of 'rights or opportunities' but of equality as a substantive social condition. With this transmutation of the idea of equality into equity, it is possible to redefine socialism in terms of the distribution of the social product and incomes as 'from each according to their ability, to each according to their contribution'.

And so it is also possible to justify the new wage and income reforms reported on 11 July 2008. Wages will be increased incrementally but 'with realism', i.e., as allowed by the country's limited financial resources. Also, individuals will be allowed and able to increase their income on the basis of increased productivity; that is, as long it is derived from work and production, not from labour exploitation.

Indeed, with this condition,[13] higher incomes will serve as an incentive for workers and producers to increase the productivity and output of their labour, thus addressing a major concern for the relatively and even exceedingly low productivity of labour in many sectors.[14]

As for the policy issue of equity as equality of opportunity in the three countries studied in this book (as well as more generally for other countries in the region), it is however different in that the structured social exclusions and obstacles are many and class-based in a way that they are not in Cuba.

It is a paradox of neoliberalism that even with an implicit social contract under the Post-Washington Consensus that is designed specifically to improve if not achieve equity, social inequalities throughout the region have increased regardless of regime type and not withstanding a significant increase in fiscal resources. This is an incontrovertible conclusion drawn from all the evidence as well as our limited analytical probes into the social structure and public policies of different countries in the region. It is also clear that the deficit in capitalist development relates as much to equity (equality of opportunity) as social equality: that is, the pattern of distribution of social conditions, and variance by all sorts of social structural factors, points to a highly generalized absence of equity. The 'opportunities' available to (and taken by) the rich are clearly not available to the poor, and a decade of 'pro-poor' policies pursued under the Post-Washington Consensus has not changed in the least the underlying structure of this social condition.

Freedom as Participation

The fourth development issue for both capitalism and socialism is 'participation', defined in the discourse of international development as the 'missing link' in macroeconomic policies designed to bring about 'productive transformation with

13 The new wage income policy, Raúl noted, establishes the following conditions: (i) the social utility or productive function of work; (ii) efficiency and the level of national savings, without stealing from the units of production or enterprise; (iii) elimination of '*gratuidades indebidas*' and excess subsidies; and (iv) a general system of taxing earned income. At the same time Raúl also gave notice of a reform to the pension system – postponing 'retirement' (and pension income) five years (to age 65 for men, 60 for women). The government also gave notice of a crackdown on pilfering and corruption, a major offensive against the black market to which, under prevailing income conditions, many families have to resort.

14 The irony is that in capitalist systems, this problem is tackled primarily not by means of material incentives, the presumed key to the greater 'efficiency' of the market in the relation of output to input, but by technological innovation and conversion of the production apparatus. But this 'revolutionary road' to productive transformation and social change (according to Marx) is contingent on the rate of capital accumulation – increasing the rate of savings from national income and productive investment of these savings, which, logically enough, in capitalist systems is conceived as a 'function of capital'. However, as evidenced by capitalist development in Asia and socialist development in the former Soviet Union, the state can, and should, assume this role in the public (not just national) interest.

equity (ECLAC, 1990). It is also defined as an organization principle of sustainable human development – a decentralized form of capitalist development that in theory permits popular participation in public policy construction, or at least, the engagement of 'civil society' in development and politics ('good governance' in the development discourse).

In a socialist context this principle is manifest and institutionalized as 'people's power' – the capacity of 'people in the popular sector of society to participate in the process of 'public action'. In a capitalist context, it is manifest in the policy of administrative decentralization, which is designed (in theory anyway) to bring government decision-making closer to the people, allowing them to participate in decisions that affect their livelihoods and communities. In a socialist organizational form it is manifest not so much in the growing trend towards local sustainable local economic development as in the construction of the commune and community councils based on the institution of a popular assembly associated with the social movements in different contexts.

In Cuba and more recently in Venezuela popular or people's power was instituted in the form of community-based councils and workplace assemblies in which issues and policies are actively discussed and debated, and resolutions passed on to the organs of state power and collective decision-making. Of course, the institution of 'people's power' (popular participation in policymaking and public action) is much more advanced in Cuba than in Venezuela, instituted as it was a quarter century ago in 1983. In Cuba serious questions have been raised over the years about the functioning of the organs of peoples' power, without being settled even in the context of recent efforts to engage local communities in the process of local development and to strengthen community and workplace decision-making.

The institution of 'community councils' might indeed become – and by some it is certainly conceived – as an 'embryonic cell' of 'socialism' as it might be unfolding in Venezuela ('the present' as 'pregnant with the future', one might say after Leibnitz) – at least in the wildly optimistic scenarios painted by engaged or outside observers such as Michael Lebowitz (2008) and Frederic Clairmont (2008). However, for this cell to germinate and embryo to grow and evolve into socialism will certainly require major changes in currently available political conditions and a new correlation of class forces, as well as a strengthening of popular political organization at the grassroots. But these changes cannot be imposed by administrative fiat or engineered 'from above', even if President Chávez and his administration are able to close the enormous unstructured space and distance between state power and popular power. In this space can be found all sorts of groups and entire classes of individuals concerned and disposed not to advance the socialist project but rather to scuttle it. As to what might be the possible outcome of an incipient and advancing class struggle in the country – 21st-century socialism, radical or welfare populism, pragmatic or doctrinaire neoliberalism, or barbarism – will depend on the way that the class forces in this space are managed and on the

correlation of forces that can be established between the popular and middle class sectors of Venezuela's 'civil society'.

With these considerations, what can we conclude about the prospects for socialist development – either as a system or as principles of organization or public policy incorporated into a capitalist system? Has the current conjuncture of conditions, of the primary commodities boom, a resurgence of the right, and US imperialism at bay, enhanced or impeded the prospects for socialism?

We offer no definitive answer to this question, except to point to the absolute necessity of a genuinely leftist political formation rooted in the popular movement and armed with both an adequate class analysis and a political programme that could work to help actively mobilize the forces of popular resistance. Suffice it to say or write that such a left in not yet with us.

To Conclude: Some Final Thoughts

Despite the economic volatility and political turbulence, and a tilt to the left in national politics, Latin America over the past five years of economic growth and regime change exhibits a surprising degree of fundamental continuity with the recent and distant path. At issue in this regime change, and in the social movements that both provoked and were undone by it, has been an economic model (neoliberalism) that was touted in the early 1980s, at the dawn of a new world order, as the solution to the region's economic and political problems – a pathway out of poverty for close one-half of the population and an open road to general prosperity. Two decades and-a-half into the neoliberal era the Latin American experience has been in sharp contrast to this promise. Instead of solid growth and general prosperity the region witnessed an extended period of slow growth and recurrent crisis, a deep and growing social divide, and widespread disenchantment with market-friendly policies, diverse forces of resistance were mobilized against neoliberalism, leading to a search for an alternative – another world, preferably a different system.

The neoliberal era seemed to draw to a close at the end of the millennium, with some changes and new developments pointing in a different direction. The basic political development here was a wave of new left to centre regimes brought about in a rising tide of anti-neoliberalism (and export-led economic growth) – a red or pink tide as it was widely characterized in the academic literature and the world business media. This tidal wave of leftist regimes led to a torrent of commentaries about the end of neoliberalism and the dawning of a new world – a tide that promised to wash away the remnants of the now not-so-'new' neoliberal order. Diverse commentaries and a spate of studies along these lines from the academic left gave the impression that these centre-left regimes were the midwives of an alternative more humane, just and sustainable order.

As for Cuba in this new context, it too appeared to be riding the double wave of a primary commodities boom and a rejection of neoliberalism, having survived

the torment of its 'Special Period' with its social programmes intact, and inspiring commentators like Frederic Clairmont (2000) to write – 'without illusions' mind you – of the 'mind-boggling' changes and 'economic and spiritual revolutions in Cuba … that bear no comparison with any Latin American countries'.

With the exceedingly sanguine assessments on the left of similarly-inspiring political developments taking place in Venezuela and Bolivia and elsewhere in South America, hyperbolic statements such as this led us to undertake the writing of this book – to provide a dash or two of realism and a more balanced account and interpretation of the apparent tilt to the left in Latin American politics. It seemed to us that what was happening was entirely different – that the centre-regimes that had emerged in the new times paradoxically resulted in a weakening rather than strengthening of the left, and that rather than moving beyond or away from neoliberalism these regimes engineered a new round of neoliberal policies. These policies moreover did not bring about a better society and were not event meant to move in this direction. Venezuela certainly has moved in this direction, but in exceedingly difficult conditions that inspire concern more than jubilation. Elsewhere in the region, aside from Cuba we have not found any evidence of policies and developments that are supposedly or substantively more socially inclusive, able to halt and reverse the concentration of wealth and economic power, and improve the access of the poor to society's productive resources and growing wealth.

Never had conditions been so favourable for the left as in the early years of the new millennium for a truly progressive policy regime to set in motion a process of revolutionary change. The economy and in some places the state were in crisis, the right was in disarray, neoliberalism was on the defensive, having lost all credibility and support across social and political sectors. Even many erstwhile supporters had turned against it. At the same time the fiscal position of the governments had substantially improved. Never before had they been in such a good position to deploy fiscal resources in the public interest – to invest fiscal resources productively and help induce a process of economic and social development – and a substantive change in the social structure of economic conditions.

But it was not to be. For one reason or another – and we have reviewed some of them – the left in its move to the centre and alliances with groups on the right failed to make a difference in people's lives and expand opportunities available to the poor (a new world of more equitable development) for a substantive improvement in their conditions and the ability to control over them. The social structure of wealth and income distribution has been resistant to change. It is as closed and socially exclusive after five years of centre-left rule and pragmatic neoliberalism as it was in the 1990s in the heyday of an aggressive and then muted neoliberalism.

Let us briefly turn to another issue – the dynamics of US imperialism in the region, often reduced to the question of US-Latin American relations. This issue of US power and influence, and the changing forms and conditions of US imperialism, surfaces as a contextual matter rather than as a question of 'agency' in the political developments that we have reviewed. US imperialism is undoubtedly a conditioning factor in some of these developments, although with the import that we have attached to the ascension of China and the primary commodities boom.

In the context of recent developments in Latin America and elsewhere in the world, the US Empire has lost its hold on the region. No longer is the US state able to dictate or impose policy as it so frequently did in the 1980s and 1990s largely through the World Bank and the IMF. In this context, US hegemony and capacity to influence developments substantially declined, as did the ideological persuasion of neoliberal globalization. Also, because of the massive shift in US imperial policy towards the Middle East and South Asia, and the diversion of 'resources' to Iraq and the 'war on international terrorism', Latin American governments experienced fewer constraints and greater leverage, more freedom to manoeuvre on the world market for its exports – and the opportunity to carve out a more independent path. The ability of President Chávez to confront and oppose US economic and political power would have been more constrained had the US been more fully engaged in the region, even without the economic power of oil – of US dependence on it.

Another result of the US's relative disengagement in the region and its loss of influence and power was an activated impulse for greater freedom and independence in trade relations within Latin America. This push for greater independence, framed, ironically enough, in terms of a demand by Latin American governments headed by Lula for 'free trade' (the reduction and abolition of US trade barriers to imports from the region), has taken various forms, including a proposed alternative to the US-designed and now moribund hemispheric free trade agreement (FTAA/ALCA) in the form of ALBA, spearheaded by Venezuela and Cuba. Because of the anti-imperialist and anti-neoliberal projection of ALBA, and because Argentina and Brazil have joined and even led the opposition to ALCA and US protectionism, many on the left, particularly abroad and in the northern centres of opposition to 'globalization', have attributed to the emerging centre-left regimes in the region a progressive character.

However, our perception was – and our conclusion is – that the centre-left in political party and national regime terms has not played the role prescribed for it by the legion of overly optimistic (some almost delusional) and mostly outside observers and analysts. In its alliances and policies the centre-left has instead aided and abetted a process of further wealth and income concentration, and in the process weakening the social movements and the revolutionary left as well as strengthening the right, making few improvements and changing substantively very little.

What marks the current conjuncture is not a break from but a fundamental continuity with structures and conditions formed in the distant and recent past of capitalist development in the region. Structured social inequalities persist, as do

the social exclusions that have marked the evolution of capitalism. Five years of economic growth and leftist policies consolidated rather than changed the system in place, attenuated the worst of its workings on the poor without changing the structure that produced and continues to reproduce these conditions.

Possible Scenarios and Lessons

The new times might well turn out to be short. The primary commodities boom has not ended but there are indications that like other booms in the past it might very well go bust in the not-too-distant future. There are in fact several scenarios possible in the short and near term, each with its own dynamics, conditions and prospects.

One is that the demand in China and Asia for primary commodities will continue indefinitely – or at last in the short- and medium-term – independently of the impending financial and production crisis in the US, still the biggest economy of the world but no longer the basic engine of economic growth. In this scenario Latin American governments on the centre-left might indeed continue on the current path of primary export growth and pragmatic neoliberalism in its policies and connection to the global economy. A variation of this scenario is for the regimes in state power to consolidate a sought-for alliance with the more productive rather than rentierist segments of the dominant class, and to engineer an Asian model of economic and social development based on productive investment in agriculture, industry and social infrastructure, economic diversification, a broadening of the social base of production (improving access to productive resources and assets) and expanding the domestic market on the basis of income equalization and wage improvements.

Another scenario is for the impending crisis of US production, a global financial crisis and/or the upper limits to environmental degradation to seriously slow down China and India-generated demand and with it the engine of global growth and the sustainability of the current growth path of countries riding the primary commodities boom. In this scenario the centre-left regimes that are presiding over the current primary commodities boom, riding the wave of economic growth in the interest of the agro-exporting elite, the big economic groups and the multinational corporations that dominate and profit from the neoliberal world order of global capital, like the neoliberal regimes that preceded them will fall victim to new and already forces of resistance.

It is too early to tell at the time of this writing, but the economic conditions for this second scenario already appear to be on the short-term horizon if not at hand. For example, there are indications that the current recession and evident crisis in the US and Europe, which a number of insider system watchers regard as the most severe and system-challenging in over 75 years, is having a negative effect both on Asian development and global commodity prices. At a minimum this means that the thesis that economic developments in Asia are not connected to or contingent

on what happens in the US, hitherto the motor of the global economy and still the largest economy in the system, is wrong. It also means that the crisis will affect Latin America – at a minimum by a slowdown of the rate of commodity-based export-led growth and fewer revenues for the governments in the region. There are bound to be political ramifications of this downturn, quite possibly along the lines of the scenario that we have sketched – an increase in and new forms of class struggle.

A third and at the moment improbable scenario is that the revolutionary left can get its act together, surmount the obstacles presented to it by the centre-left more than the right, and mobilize the diverse forms of opposition and resistance to the neoliberal world order. In this scenario the social movements manage to capture the state and, from a position of combined state and street power, embrace a turn to socialism rather than capitalism. This scenario is predicated on the capacity of the revolutionary left[15] to mobilize the resistance on the basis of a transitional government programme, a national development plan designed to bring about genuinely progressive change, a truly different order based on social justice. One of the most striking features of the left in the current conjuncture is precisely the lack of such a programme and plan. And in preparation for the times to come few things are as urgent as the construction of a transitional national development plan.

What lessons can be draw from the pattern of developments described and briefly analyzed in this book?

Lesson 1

State power is a necessary but insufficient condition for bringing about substantive social change. After years in the political wilderness and in opposition or the outside, the political left managed to capture state power by riding a wave of anti-neoliberal sentiment. But after several years in state power, from five to two in the cases that we have examined, very little substantive change in neoliberal policies and the basic social structure of wealth. There has been no change in the fundamental social structure of income and wealth distribution, not even in Venezuela, which has gone the furthest in this direction.

We conclude that this is in part because of the political conditions in which state power was captured – by the use of the trappings of liberal democracy rather than mass mobilization and a revolutionary assault. It seems that this avenue to

15 The Latin American left is currently divided in three ways. One part is oriented towards revolutionary change and organized in the form of social movements or in support of them. Another part, the social left, is oriented towards local development – bringing about improvements and change in the local spaces of the power structure and *within* the dominant capitalist system – and organized in the form of nongovernmental organizations. A third part of the left is oriented towards 'democratic' change and reformed capitalism, and is organized in the form of political parties, electoral contexts and state power.

state power is severely constrained and fraught with pitfalls, not the least of which is the need to form alliances and to compromise with groups on the Centre and the right. It is evident that the democratic system of electoral politics contains unwritten but effective rules that seem to bind the policies of any leftist regime that comes to power by this means. Not that the left should not avail itself of electoral politics as a means of acquiring state power. The lesson is that the liberal 'democratic' path to state power should be combined with, if not entirely based on, an active mobilization of the forces of resistance and that this mobilization be maintained *after* the conquest of state power – to maintain pressure from the left on the regime.

Lesson 2

There is a clear need for a reconstituted (structural and political) class analysis in regard to both the concrete and general situation of most Latin Americans, faced as they are with the problem of how to achieve state power, and also the problem of constructing socialism from a position of state power – what actions to take and what policies to implement in what political conditions?

Both of the problems require a multi-dimensional class analysis of the economic structural-objective and the subjective-political conditions involved. This analysis should be the basis for constructing a strategy and tactics for achieving power; and for designing a transitional government programme – an alternative socioeconomic development plan. One of the most striking features of the left in recent years, whether in or out of power, is the lack or inadequacy of such a transitional programme – of a principled but yet politically practical plan that will move the political process forward.

Both steps in this process require class analysis of the objectivity of economic conditions (the persistence of structure) and corresponding subjectivity (the politics of change). On this point, a striking feature of recent political developments in Latin America has been the fundamental continuity with the recent and more distant path, a reflection not just of political subjectivity, the agency of a political class in power but of structural persistence, the difficulty of changing arranged ways of organizing and doing things.

What is needed in the current conjuncture of political and economic development sin Latin America is for the left to not only abandon sectarianism in political practice (this is a lesson drawn by many from the 'old politics' of the 1960s to 1980s) but to substitute for wishful thinking and idealistic romanticism realism and a concrete empirical analysis of the general and specific situations in which most Latin Americans find themselves.

Lesson 3

The class struggle does not end with the conquest of the state by one means or the other – the parliamentary road of democratic politics or the revolutionary road of

mass mobilization, insurrection and collective action. First, it is only achievable if and when the forces on reaction on the right are divided and a substantial part of the middle class is 'on board' one way or the other. Second, the exercise of state power by the political class on the left and at the centre will undoubtedly bring the right together and to exert pressure from the right to waylay or derail or slow down if not totally divert the agenda of the centre-left.

The experience of Argentina and Bolivia shows us that in its efforts to hold the centre and to advance its agenda that the centre-left in state power is susceptible to pressures from both the right and elements of the dominant class that it has to work with in a political setup designed in the interests of these classes. In the circumstance of the left gaining state power by democratic means the right will abandon democracy and mobilize whatever forces of reaction it can, including in particular support from the US empire. The only response of the left is to continue the class struggle, confronting the structures and occupants of economic power not only in the legislative assembly but also in the streets. To this purpose, the left should work to expand political support and the political base of its policies, geared to a revolutionary transitional programme, both in the popular sector but also the middle class as well as the progressive elements of the bourgeoisie. This progressive class alliance needs to be maintained throughout the process of state-led 'productive transformation with equity'.

Lesson 4

The Left in most circumstances of state power, i.e., under conditions generally found in Latin America, should form a production and political alliance with both the small producer and small business sector – with its progressive wing, as well as possibly (under some conditions) with the productive sector of the capitalist class – that segment willing to invest its capital productively in the national interest and to adjust to state regulation of its market operations in the social or public interest. The problem with this approach (forming an alliance with elements of the national capital) is that capital in Latin America is multifaceted, its various fractions (manufacturing, agrarian, real estate, financial …) and forms (productive, unproductive and speculative) more easily identified and isolated in theory than in practice. In this situation it is probably more politically practical to limit class alliances with small family-owned businesses, farms, etc. Having in mind developments in Argentina and Bolivia, the left should under no circumstance rely on for support or ally with the rentierist elements of the dominant class, nor the landed oligarchy and the agro-mineral exporting elite and the reactionary elements of the political right that represents their interests.

Lesson 5

Equity is a fundamental principle in the organization of social production whether capitalist or socialist, For the Latin American Left this means two things vis-à-vis

state power. One is the imperative need for land reform and measures designed to 'improve the access of the poor to means of production. Secondly, in a mixed economy based on the workings of both the public and the private sector, the market should be regulated to prevent an undue accumulation of capital at the expense of labour, placing limits on profit-making and redistributing market-generated incomes into broad social programmes that ensure that the basic needs of the population are met and a more equitable income distribution.

When in a position of state power the Left should move swiftly to expand the social base of production, instituting a revolutionary programme of measures that will substantively change the existing structure of production relations, providing radically improved access of the landless and the poor to society's productive resources and assets – particularly land, capital and technology. The need for greater equality (as well as equity) in the organization of social production is a lesson well learnt by the architects of the Post-Washington Consensus who have recognized the limiting effect on economic growth and national development of excluding large segments of the productive population. However, these same architects are all-too aware of the structural and political obstacles to achieving equity but are constrained by ideology or class interests to rely on 'market mechanisms' to do so – mechanisms that are manifestly inefficient.

Lesson 6

Private enterprise should not be confused for capitalism at the level of property in the means of production. It was an enormous mistake for Cuba in 1968 to advance its revolutionary offensive in the form of a backlash against small-scale private enterprise and local markets. Capitalist enterprise is based on the exploitation of labour and the logic of capital accumulation based on the private appropriation of surplus value extracted from labour. It is predicated on private ownership of the means of production and the extension of the social relation and exploitative conditions of wage labour. Small-scale private enterprise – or small business – is not capitalism and is in fact, like the market, perfectly compatible with socialism as long as it is subordinated to an overall system of socialized production.

Lesson 7

Capitalist development takes diverse forms, most recently neoliberal globalization. However, no matter how resilient and progressive in terms of expanding the forces of production, capitalist systems cannot overcome the internal contradictions that will inevitably lead to the concentration of capital and the propensity towards economic crisis, the proletarianization of the direct producer and exploitation and oppression of the working class, class rule and the dream and push towards world domination – and the generation of the forces of resistance and opposition.

The dynamics of these internal contradictions can be offset by giving them an ideological cover and rejigging and restructuring the system, implementing system-

saving reforms designed for greater social inclusion and popular participation – to give it a human face. However, in Latin America structural and political conditions are such as to ensure that capitalism in the long run cannot survive and that socialism will remain on the horizon.

Lesson 8

21st-century socialists can learn from the achievements and failures of 20th-century socialism, as well as developments in Cuba and Venezuela and also the negative experience of so many countries with capitalist development and neoliberalism. The lesson drawn from these developments and experiences can be put into several categories.

First, public policy should be directed toward improving the living and working conditions of the entire population and not the interests of economically dominant groups or classes under the pretext of economic development. This means (among other things) substantive public investment in social and economic infrastructure, including not only education, health, welfare and social security but also social conditions of production such as decent work, public transportation and quality housing.

Second, a substantive improvement in the quality of life and the material conditions of production should not be sacrificed on the altar of international solidarity. Solidarity begins at home. In this connection, Michel Camdessus, former Executive Director of the IMF, on an imperial state visit to Mexico a decade ago under the presidency of Ernesto Zedillo, noted that the policies of the institution are based on three pillars: the invisible hand of the market; the visible hand of the state; and the 'solidarity between the rich and the poor'. However, what he did not note was the incompatibility of the latter with capitalism under any condition, particularly in the contemporary form of neoliberal globalization. There is no way that capitalism or neoliberalism can bring this solidarity about. This is because of a fundamental contradiction between capitalism and social solidarity: within any capitalist system, the legal institution of property in the means of production (private property) of necessity (in the logic of capital accumulation) generates conditions and forms of social inequalities that exclude solidarity.[16]

16 The achievement of 'social solidarity' was the fundamental problematic of 19th-century social science in the conservative tradition of sociological positivism (St. Simon, Comte, Durkheim …). The problem for these sociologists was how to reconcile the evident trend towards 'individuation' (individuals pursuing their own interests) with the requirements of economic, social and political order. Durkheim, the classical exponent of this problematic found the 'solution' in the division of labour, an economic structure embedded within the market. Others like Comte before him and modernization theorists after him turned to the state. However, in the contemporary context of neoliberal globalization, theorists in the liberal tradition turned instead to 'civil society' – to engage 'civil society' (an amalgam of middle class nongovernmental organizations between the family and the state) in the responsibility of keeping order ('good governance').

Third, and in the same connection, development policies should focus on diversifying the economy with a special focus on the processing and industrialization of local resources, making a major public investment in industries designed to produce quality goods of mass consumption (clothing, shoes, and so on) and in agriculture, especially becoming self-sufficient in basic essential foods. Under no conditions should socialist economies specialize in the production of single products for income (sugar, tourism, petroleum, nickel) that are subject to the vicissitudes of external markets.

Socialist governments should finance programmes of economic production and social development in accord with economic, social and cultural priorities that relate to society as a whole, rather than particular groups within it. This means – among many other policies and things – educating agronomists and skilled agricultural workers, construction and trades workers (plumbers, electricians, painters) as well as civil engineers, transport workers and urban and rural planners of public housing and public transportation systems. The government should set up popularly-elected community councils to oversee and ensure the quality of air and water, protect the ecosystem and secure the availability, affordable prices and quality of food.

Above all socialism is about social equality – as an equality of condition not just as an abstract principle or formal legal right, an equality of opportunity. It means a relative equality in income and an absolute equality regarding education and health, access to schools and hospitals; and equality between and within classes, no matter how defined or constituted. Without substantive social equality, all talk and so much writing of 'diversity', 'dignity' and 'respect' 'equality' and 'equity' – and socialism – is meaningless. The architects and diverse advocates of capitalist development, particularly liberal and neoliberal reformers, also support 'equality' but only as a matter of 'equity' – as a formal right vis-à-vis the law, the right to vote, improved access to available (structured) 'opportunities' and government services, etc. and as equity, an 'equality of opportunity' – and as long as this 'equality' does not affect their profits and wealth.

Socialism, in contradistinction to capitalism, is predicated on an equality of social condition based on socialized property, an equitable 'primary' not just secondary redistribution of income and the inclusion of the entire population in social programmes – an egalitarian distribution of wealth and property to all workers, white and black, Indian farmer and urban worker, men and women, and young and old. There is no 'dignity' in being poor and exploited; dignity comes with struggle and the achievement of socialist goals of social equality and rising living standards.

State regulation of markets, as in some East Asian countries and the 'mixed economies' of Western Europe, can and at times do place upper limits on the spread of social inequalities in the distribution of wealth and income. But these welfare or developmental states generally cannot contain the forces of economic concentration and social inequalities that the underlying capitalist system – the capital accumulation process – generates. What is clear and for certain, a mixed

economy and welfare state in the European mould, which have been able to generate a measure of social solidarity, is not in the offing in Latin America.

The centre-left regimes that have come to pass, a number of which (note the recent pronouncements by Fernando Lugo, the former bishop who has captured state power in Paraguay by means of 'democratic' elections)[17] profess a concern with 'socialist ideals and values', are unable or unwilling to move in this direction, even under the most favourable conditions. The dominant and widespread distributional pattern of public expenditures that we found is a case in point. Not only do these expenditures reflect the power or influence of dominant 'interests' in each country but any move towards substantive change vis-à-vis entrenched social inequalities is prevented by virtue of the dominant mode of capitalist production. Without a fundamental change in the economic structure of society in Latin America, the state in no cases would be able to secure marginal reforms. This is the fundamental problematic of the Post-Washington Consensus and the centre-left regimes captured by and operating with this consensus.

Lesson 9

The pragmatic neoliberal or centre-left regimes formed in Latin America in the wake of a broad wave of anti-neoliberal sentiment and in the new conditions of the global economy have no capacity for bringing about a new world – to activate the political impulse for radical change. What this means is that the Post-Washington Consensus on the need and possibility of substantive reform to the capitalist system in place – to give it a human face – has been stillborn. The only way forward is to mobilize the forces of resistance in a socialist direction.

17 On 15 August 2008, on the assumption of the office as the country's President, his 'heteregoneous' (centre-left) coalition having ended 61 years of Colorado party rule, Fernando Lugo announced a major offensive against corruption and poverty, with reference to 'the people in power' and the 'socialist ideals' of his Christian faith (Liberation Theology). The ceremony was attended by a number of dignitaries in the centre-left, notably Cristina Fernández (Argentina), Luiz Inacio [Lula] da Silva (Brazil), Tabaré Vázquez (Uruguay), Michelle Bachelet (Chile) Rafael Correa (Ecuador) and Manuel Zelaya (Honduras), a recent convert to ALBA. Evo Morales and Hugo Chávez as well as Raúl Castro were conspicuously absent. Although it is too early to tell the new regime's practical or policy moves in a 'socialist' direction, one clear indication of a change in character (more indigenous) if not direction is the appointment as Minister of Indigenous Affairs an aboriginal woman who had been enslaved by slave traders in servitude as of age ten. Another measure of note but unclear significance is the sacking of the entire high military command in the interest of 'security'.

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